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MARCH 1989

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Published by
The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
President of
the Board: Bruce M. Evans

Vice-President: Robert G. Anderson

Senior Editors: Beth A. Hoffman
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The Freeman is the monthly publication of The Foundation for Economic Education, Inc., *Irvington-on-Hudson, NY 10533 (914) 591-7230.* FEE, founded in 1946 by Leonard E. Read, is a nonpolitical educational champion of private property, the free market, and limited government. FEE is classified as a 26 USC 501 (c) (3) tax-exempt organization. Other officers of FEE's Board of Trustees are: Thomas C. Stevens, chairman; Ridgway K. Foley, Jr., vice-chairman; Paul L. Poirot, secretary; H.F. Langenberg, treasurer.

The costs of Foundation projects and services are met through donations. Donations are invited in any amount. Subscriptions to *The Freeman* are available to any interested person in the United States for the asking. Additional single copies $1.00; 10 or more, 50 cents each. For foreign delivery, a donation of $15.00 a year is required to cover direct mailing costs.

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Bound volumes of *The Freeman* are available from The Foundation for calendar years 1969 to date. Earlier volumes as well as current issues are available on microfilm from University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106.

The Freeman considers unsolicited editorial submissions, but they must be accompanied by a stamped, self-addressed envelope. Our author's guide is available on request.

Cover illustration: © Geoffrey Moss, Washington Post Syndicate.

PERSPECTIVE

Economics and Ecology

Only under certain institutional arrangements do we find complementarity between economic and ecologic goals. Specifically, only institutions that tightly link authority to act with responsibility for the outcome of the action foster both. Political management often weakens or eliminates the link between authority and responsibility.

One good way to produce these benefits is to design institutions that rely upon clear and enforceable property rights which can be freely exchanged. A free market promotes such exchange. For example, such a system holds people and firms accountable for the costs of pollution. It also permits them to capture the benefits of sound environmental management, as International Paper has done, by blending wildlife and timber management. In this way, the reforms advocated by "free market environmentalists" encourage entrepreneurship as individuals face incentives to seek more efficient and valuable outcomes.

—JOHN A. BADEN, Chairman
Foundation for Research on
Economics and the Environment

Automotive Genius

Who rules the marketplace? Consider this excerpt from "Charles Kettering: Automotive Genius," by Mark Bernstein, in the July 1988 issue of *Smithsonian:*

"When Kettering joined General Motors in 1920, the sales figures and efficiency of GM's array of vehicles badly trailed Henry Ford's single Model T. By 1927, the organizational brilliance of GM's celebrated president, Alfred P. Sloan Jr., coupled with a plethora of improvements from Kettering's busy lab, had helped drive the Model T into retirement. With a Ford, went the inevitable wisecrack, you could have any color you wanted, provided it was black. At GM, you could have all sorts of colors. And you could have higher horsepower for more zoom, and the new 'balloon' tires for a smoother ride, as well as all the other improve-

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ments that made each year's model comfier than last year's.

"Americans loved it, turning the nation into the world's first automotive society. To the Boss [Kettering], this was the test that mattered; not results in the laboratory, but response in the marketplace, which Kettering unquestionably believed consumers ruled. Once the public saw something better, Kettering held, it would settle for nothing less. Henry Ford once told Kettering that the Model T would never adopt a self-starter. Kettering replied, 'Mr. Ford, that is something you yourself are not going to have anything to say about.' "

Man Alone

There is a qualitative distinction between the behavior of an individual and that of the human crowd in an extreme situation. A people, nation, class, party, or simply crowd cannot go beyond a certain limit in a crisis: the instinct of self-preservation proves too strong. They can sacrifice a part in the hope of saving the rest, they can break up into smaller groups and seek salvation that way. But this is their downfall.

To be alone is an enormous responsibility. With his back to the wall a man understands: "I am the people, I am the nation, I am the party, I am the class, and there is nothing else at all." He cannot sacrifice a part of himself, cannot split himself up or divide into parts and still live. There is nowhere for him to retreat to, and the instinct of self-preservation drives him to extremes—he prefers physical death to a spiritual one.

And an astonishing thing happens. In fighting to preserve his integrity, he is simultaneously fighting for his people, his class, or his party. It is such individuals who win the right for their communities to live—even, perhaps, if they are not thinking of it at the time.

"Why should I do it?" asks each man in the crowd. "I can do nothing alone."

And they are all lost.

"If I don't do it, who will?" asks the man with his back to the wall.

And everyone is saved.

—Vladimir Bukovsky
"The Soul of Man Under Socialism"

Soviet Agriculture

In a speech calling for farmers throughout the Soviet Union to be freed from the state-run system of collective agriculture, Mikhail Gorbachev remarked:

"Comrades, the most important thing today is to stop the process of depeasantization and to return the man back to the land as its real master."

—*The New York Times,*
October 14, 1988

Facing the Facts

At Phoenix House, the highly regarded drug-rehabilitation center in New York, a typical therapy group will start out by listening quietly to all the victim chatter of a recently arrived addict. Then someone will say something like: "It isn't your mother or society or even the pushers who put the needle in your arm. You did." And therapy starts from there.

—John Leo, writing in the October 17, 1988 issue of *U.S. News & World Report*

A Vital Difference

American borrowing from abroad in the 19th century bore little relation to our rising indebtedness of the 1980s. When foreign investors in the 19th century bought stocks and bonds from our companies, the money generally was put to productive use. In many cases, the profits from those enterprises far exceeded the cost of the capital that was provided.

In contrast, in recent years the U.S. Treasury has been borrowing heavily abroad to finance deficits arising from rapid expansions in defense outlays, entitlements, farm subsidies, and interest payments. No matter how socially worthy or politically necessary those items of federal expenditure may be, they represent current consumption. These federal expenditures are not investments that generate a future return to repay or even cover the interest on the Treasury securities issued to help finance them.

—Murray Weidenbaum
Center for the Study of American Business

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IDEAS ON LIBERTY

How Smart Is Big Brother?

by James L. Payne

One of the attractions of government as a problem-solver is its presumed advantage in information and technical expertise. We tend to assume that government will be better informed than anyone else, and therefore better able to deal with the complex problems of our age.

To some extent, this faith in government is just a blind, primitive trust. For centuries, men were conditioned to believe that the king was always right. He was supposed to be God's agent, and therefore he knew better than anyone else what was good for the country. We have done away with kings, but an aura of divine wisdom still surrounds the state and its officials. When you complain about a law, someone is likely to say, "But Congress wouldn't have approved it if it weren't right."

Another reason we attribute extraordinary powers to government is its size. We assume that the larger an organization, the more it knows. After all, aren't two heads better than one? By this logic, a government agency with thousands of employees must have enormous knowledge.

Normally, we don't get a chance to check this belief in governmental wisdom, since government agencies rarely put what they know into testable form. A recent General Accounting Office (GAO) study of the Department of Agriculture for the years 1972 through 1986, however, has uncovered a case where an agency took, in effect, a quantitative test of its knowledge. The results are dismaying.

Each year, the Department of Agriculture attempts to estimate how much all the farm subsidy programs are going to cost, so that it can submit its budget requirements to Congress. To arrive at this figure, it employs an extensive procedure involving 18 sub-units within the Department. These different offices funnel information into the decision-making process: projected supply and demand for commodities, projected prices for commodities, farmer participation in various programs, and so on.

The expense of operating this system easily runs into the millions; depending on how you do the accounting, it may be as much as 100 million dollars each year. For example, one unit in the process is the Foreign Agricultural Service; its 1985 budget was $86 million. A $2 million World Agricultural Outlook Board also plays a role, as does the Agricultural Stabilization and Conservation Service ($119 million) and the Agricultural Marketing Service ($32 million), not to mention budget offices, undersecretaries, and assistant secretaries. Arriving at agricultural projections isn't the only function of these bodies, but it is one of their major responsibilities.

With all these resources, how well does the Department of Agriculture do in forecasting its commodity subsidy costs? The GAO found the Department's budget estimates were "substantially incorrect," with an average absolute error of 4.3 billion dollars. To put this figure in perspective, if you predicted that this year's costs would be the same as last year's, your error

James L. Payne has taught political science at Yale, Wesleyan, Johns Hopkins, and Texas A&M. His latest book, The Culture of Spending, *examines the popular arguments for big government.*

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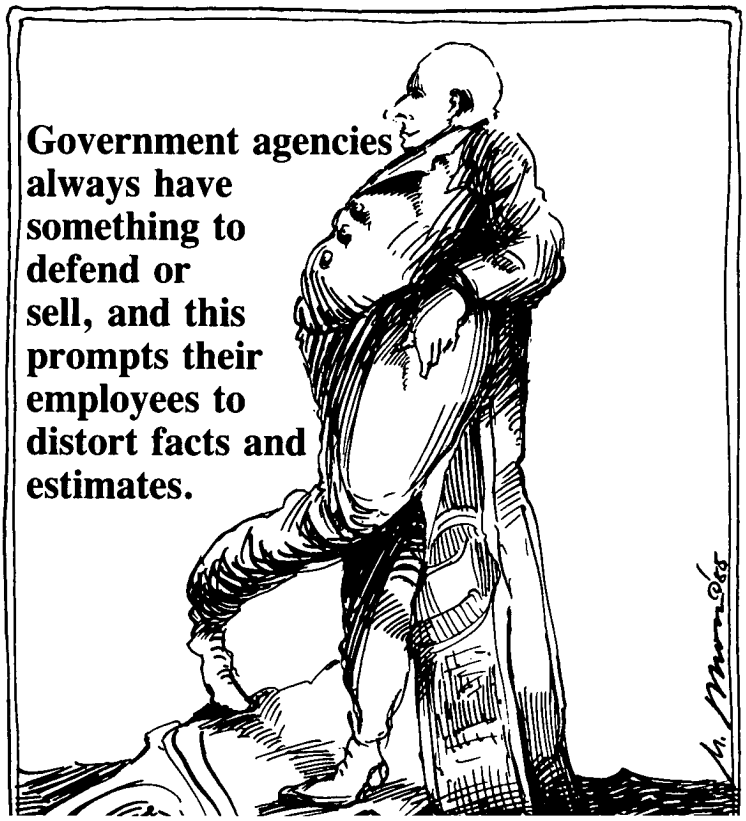
Government agencies always have something to defend or sell, and this prompts their employees to distort facts and estimates.

would have been 4.1 billion. In other words, the most simple-minded extrapolation would have done a better job in predicting the Department of Agriculture's commodity expenditures than the Department's own multi-million dollar forecasting organization!

Government, it appears, may not be smart at all. If the experience at the Department of Agriculture is any indication, its intellectual competence rates below that of an ordinary citizen. Why should this be? The problem is not with the intelligence of the public officials themselves. Individually, they are as bright as the rest of us. It is the system in which they function that produces the feeble-mindedness.

First, government information systems are biased. Government agencies always have something to defend or sell, and this prompts their employees to distort facts and estimates. The cumulative result of these distortions can be whopping misconceptions about the world.

In the case of the Department of Agriculture, it wants Congress and the public to approve of its subsidy programs. It wants to make these programs seem less expensive, so people won't be shocked by the high price. This bias encourages officials in the budget forecasting process to underestimate: over the years, the average net error in the commodity budget forecasts has been $3.1 billion below the actual cost.

The second problem with government information systems is size. It is not true that more people means more knowledge. Useful knowledge about what will happen in the world doesn't come from just collecting more and more facts and opinions in one building or in one report. It involves rejecting points, too, leaving aside that which is unsound, misleading, or irrelevant. Large entities typically lack this ability to discriminate. Every cook is given a chance to spoil the broth. In the Department of Agriculture's forecasting system, the inputs from the different sub-agencies all go into the final estimate, yielding an unfocused blend of true, false, and irrelevant.

When it comes to knowing things, government agencies are inherently flawed. Those who are looking to the intelligence of government to solve our problems may be waiting a long time. □

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Why Deny Health Care?

by Robert K. Oldham

Most Americans would agree that "Health care should be available equally to everyone." But now the thesis of equal availability of health care is beginning to translate into a sub-thesis of "If everyone can't have a health-care service, then no one should have it."

Recent medical advances have made available a variety of in-depth approaches to the treatment of serious disorders such as cancer, AIDS, and major organ failure that allow for correction, or a research-based attempt at correction, of the disorder. Transplantation brings forth a large number of potential recipients, a small number of donors, and huge costs for each kidney, heart, or liver transplant. These transplant stories are often in the news and may involve distressing reports of the need for a transplant in a child, a young mother, or a productive, breadwinner father.

The relative infrequency of the transplant dilemma has been a major saving grace. Our sympathies go to each patient, and many of us have contributed to help a specific patient. No effective system-wide solution to the limited availability of this expensive technology has come forth.

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Dr. Oldham is Director of the Biological Therapy Institute where he conducts clinical trials of new treatments for cancer patients. He was the first director of the National Cancer Institute's Biological Response Modifier Program. His articles have appeared in numerous publications, including The New England Journal of Medicine *and* The Wall Street Journal.

Individuals who can afford to pay for these transplants represent a major revenue stream for hospitals with transplant services. There is little discussion when the individual has the capability to pay for a transplant. Is it not a wonder that the issue of restricting availability to those who can afford the transplant hasn't been raised by ethicists? There has been broad negative reaction to the idea of "selling" organs, but transplant programs go forward when organs are available for individuals who can pay for the procedure.

More difficult is the issue of a new cancer treatment or a new approach to the devastating problem of AIDS. In both of these situations, there has been much discussion about access and opportunity, the cost of research and medical services, and the issue of availability. Government and university officials have often voiced the view that a certain number of research-based approaches should be available through their hospitals. Individuals should line up and wait for the opportunity to avail themselves of these research services.

Such a system resembles the National Health Service of Britain, except that in the United States, contacts, political pressure, and money often can abridge a system of equal opportunity for all. One is reminded of kidney dialysis in its early days—an expensive technology for which committees were created to judge the worthiness of individuals in need. In spite of such committees, patients with resources were generally able to avail themselves of dialysis.

Once rejected from such a system or once on a too-long waiting list with too little time, why

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restrain an individual with resources from pursuing private options? It would seem obvious that an individual with resources should be able to use those resources as he or she sees fit, while alive and able to make rational decisions. Yet, there is an increasing call to restrain such individuals from pursuing private-sector opportunities to gain access to new medical technologies for the treatment of cancer or AIDS.

The arguments go something like this: "If a medical service isn't available for everyone, should it be available for a few? Isn't it unethical or morally repugnant for someone with assets to be able to pursue a new, research-based treatment approach when others, without these resources, cannot? Shouldn't there be restraints on the private sector in the delivery of medical services to those who wish to pay for them?"

This thought process would indeed be bizarre if it were applied to a vital product such as food. At the moment, no one is crying foul if someone with resources chooses to eat more than the minimum daily requirement. In a similar manner, there has been no call to restrict the availability of air conditioners for those who wish to purchase them in spite of the obvious health advantages of air conditioning to the sick and elderly who can't afford them. There has been no call to remove private rooms or executive suites from hospitals where they are available to patients with resources. There has been no call to restrain travel by those who wish to fly to Switzerland or Italy or to a distant clinical facility within the United States for specialized medical care.

Different Standards of Ethics?

As a physician, I often receive calls from individuals who ask if I have access to a specialized technology, a research-based approach, for the treatment of a relative. I am struck by the fact that the individual, often a practicing physician, has not called me about his patients. I am struck that such individuals often work in government or universities. Some have been openly critical of private-sector systems of cancer research that might provide opportunities for those with the resources to afford them—until someone close needs access and opportunity. What are the ethics of one standard for a relative and a different approach for a patient? This curious schizophrenia between the idea that everyone should have equal access, but that if everyone can't have it, no one should, represents a dangerous thought process.

To translate that to a system where no one can have access to more health care beyond a set standard would be a grievous error. Such thinking outside of the health field is clearly anomalous. Let's not apply a unique standard to health-care services, but let's apply the same rules of logic to all basic services that individuals might use, given their resources. □

IDEAS ON LIBERTY

Arguments Against Socialized Medicine

It is a mistake for the government to consider the problems of the sick apart from those of society as a whole. . . . the broader problem is, in a moral sense, one of promoting respect for the individual and the furtherance of initiative and self-providence; in an economic sense, one of increasing production for the benefit of *all* citizens; and in a political sense, one of removing government as a battlefield for special favor and substituting cohesion and solidarity for division and disintegration.

—Darryl W. Johnson, Jr.

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Socialized Medicine: The Canadian Experience

by Pierre Lemieux

The Canadian public health system is often put forward as an ideal for Americans to emulate. It provides all Canadians with free basic health care: free doctors visits, free hospital ward care, free surgery, free drugs and medicine while in the hospital—plus some free dental care for children as well as free prescription drugs and other services for the over-65 and welfare recipients. You just show your plastic medicare card and you never see a medical bill.

This extensive national health system was begun in the late 1950s with a system of publicly funded hospital insurance, and completed in the late 1960s and early 1970s when comprehensive health insurance was put into place. The federal government finances about 40 percent of the costs, provided the provinces set up a system satisfying federal norms. All provincial systems thus are very similar, and the Quebec case which we will examine is fairly typical.

One immediate problem with public health care is with the funding. Those usually attracted to such a "free" system are the poor and the sick—those least able to pay. A political solution is to force everybody to enroll in the system, which amounts to redistributing income towards participants with higher health risks or lower income. This is why the Canadian system is universal and compulsory.

Even if participation is compulsory in the sense that everyone has to pay a health insurance premium (through general or specific taxes), some individuals are willing to pay a second time to purchase private insurance and obtain private care. If you want to avoid this double system, you do as in Canada: you legislate a monopoly for the public health insurance system.

This means that although complementary insurance (providing private or semi-private hospital rooms, ambulance services, etc.) is available on the market, sale of private insurance covering the basic insured services is forbidden by law. Even if a Canadian wants to purchase basic private insurance besides the public coverage, he cannot find a private company legally allowed to satisfy his demand.

In this respect, the Canadian system is more socialized than in many other countries. In the United Kingdom, for instance, one can buy private health insurance even if government insurance is compulsory.

In Canada, then, health care is basically a socialized industry. In the Province of Quebec, 79 percent of health expenditures are public. Private health expenditures go mainly for medicines, private or semi-private hospital rooms, and dental services. The question is: how does such a system perform?

The Costs of Free Care

The first thing to realize is that free public medicine isn't really free. What the consumer doesn't pay, the taxpayer does, and with a vengeance. Public health expenditures in Quebec amount to 29 percent of the provincial government budget. One-fifth of the revenues comes from a wage tax of 3.22 percent charged to

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employers and the rest comes from general taxes at the provincial and federal levels. It costs $1,200 per year in taxes for each Quebec citizen to have access to the public health system. This means that the average two-child family pays close to $5,000 per year in public health insurance. This is much more expensive than the most comprehensive private health insurance plan.

Although participating doctors may not charge more than the rates reimbursed directly to them by the government, theoretically they may opt out of the system. But because private insurance for basic medical needs isn't available, there are few customers, and less than one percent of Quebec doctors work outside the public health system. The drafting of virtually all doctors into the public system is the first major consequence of legally forbidding private insurers from competing with public health insurance.

The second consequence is that a real private hospital industry cannot develop. Without insurance coverage, hospital care costs too much for most people. In Quebec, there is only one private for-profit hospital (an old survivor from the time when the government would issue a permit to that kind of institution), but it has to work within the public health insurance system and with government-allocated budgets.

The monopoly of basic health insurance has led to a single, homogeneous public system of health care delivery. In such a public monopoly, bureaucratic uniformity and lack of entrepreneurship add to the costs. The system is slow to adjust to changing demands and new technologies. For instance, day clinics and home care are underdeveloped as there exist basically only two types of general hospitals: the nonprofit local hospital and the university hospital.

When Prices Are Zero

Aside from the problems inherent in all monopolies, the fact that health services are free leads to familiar economic consequences. Basic economics tells us that if a commodity is offered at zero price, demand will increase, supply will drop, and a shortage will develop.

During the first four years of hospitalization insurance in Quebec, government expenditures on this program doubled. Since the introduction of comprehensive public health insurance in 1970, public expenditures for medical services per capita have grown at an annual rate of 9.4 percent. According to one study, 60 percent of this increase represented a real increase in consumption.[1]

There has been much talk of people abusing the system, such as using hospitals as nursing homes. But then, on what basis can we talk of abusing something that carries no price?

As demand rises and expensive technology is introduced, health costs soar. But with taxes already at a breaking point, government has little recourse but to try to hold down costs. In Quebec, hospitals have been facing budget cuts both in operating expenses and in capital expenditures. Hospital equipment is often outdated, and the number of general hospital beds dropped by 21 percent from 1972 to 1980.

Since labor is the main component of health costs, incomes of health workers and professionals have been brought under tight government controls. In Quebec, professional fees and target incomes are negotiated between doctors' associations and the Department of Health and Social Services. Although in theory most doctors still are independent professionals, the government has put a ceiling on certain categories of income: for instance, any fees earned by a general practitioner in excess of $164,108 (Canadian) a year are reimbursed at a rate of only 25 percent.

Not surprisingly, income controls have had a negative impact on work incentives. From 1972 to 1978, for instance, general practitioners reduced by 11 percent the average time they spent with their patients. In 1977, the first year of the income ceiling, they reduced their average work year by two-and-a-half weeks.[2]

Government controls also have caused misallocations of resources. While doctors are in short supply in remote regions, hospital beds are scarce mainly in urban centers. The government has reacted with more controls: young doctors are penalized if they start their practice in an urban center. And the president of the Professional Corporation of Physicians has proposed drafting young medical school graduates to work in remote regions for a period of time.

Nationalization of the health industry also

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In Canada, sale of private insurance covering the basic insured services is forbidden by law. Even if a Canadian wants to purchase basic private insurance besides the public coverage, he cannot find a private company legally allowed to satisfy his demand.

has led to increased centralization and politicization. Work stoppages by nurses and hospital workers have occurred half a dozen times over the last 20 years, and this does not include a few one-day strikes by doctors. Ambulance services and dispatching have been centralized under government control. As this article was being written, ambulance drivers and paramedics were working in jeans, they had covered their vehicles with protest stickers, and they were dangerously disrupting operations. The reason: they want the government to finish nationalizing what remains under private control in their industry.

When possible, doctors and nurses have voted with their feet. A personal anecdote will illustrate this. When my youngest son was born in California in 1978, the obstetrician was from Ontario and the nurse came from Saskatchewan. The only American-born in the delivery room was the baby.

When prices are zero, demand exceeds supply, and queues form. For many Canadians, hospital emergency rooms have become their primary doctor—as is the case with Medicaid patients in the United States. Patients lie in temporary beds in emergency rooms, sometimes for days. At Sainte-Justine Hospital, a major Montreal pediatric hospital, children often wait many hours before they can see a doctor. Surgery candidates face long waiting lists—it can take six months to have a cataract removed. Heart surgeons report patients dying while on their waiting lists. But then, it's free.

Or is it? The busy executive, housewife, or laborer has more productive things to do besides waiting in a hospital queue. For these people, waiting time carries a much higher cost than it does to the unemployed single person. So, if public health insurance reduces the costs of health services for some of the poor, it increases the costs for many other people. It discriminates against the productive.

The most visible consequence of socialized medicine in Canada is in the poor quality of services. Health care has become more and more impersonal. Patients often feel they are on an assembly line. Doctors and hospitals already have more patients than they can handle and no financial incentive to provide good service. Their customers are not the ones who write the checks anyway.

No wonder, then, that medicine in Quebec consumes only 9 percent of gross domestic product (7 percent if we consider only public expenditures) compared to some 11 percent in the United States. This does not indicate that health services are delivered efficiently at low cost. It reflects the fact that prices and remunerations in this industry are arbitrarily fixed, that services are rationed, and that individuals are forbidden to spend their medical-care dollars as they wish.

Is It Just?

Supporters of public health insurance reply that for all its inefficiencies, their system at least is more just. But even this isn't true.

Their conception of justice is based on the idea that certain goods like health (and education? and food? where do you stop?) should be

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made available to all through coercive redistribution by the state. If, on the contrary, we define justice in terms of liberty, then justice forbids coercing some (taxpayers, doctors, and nurses) into providing health services to others. Providing voluntarily for your neighbor in need may be morally good. Forcing your neighbor to help you is morally wrong.

Even if access to health services is a desirable objective, it is by no means clear that a socialized system is the answer. Without market rationing, queues form. There are ways to jump the queue, but they are not equally available to everyone.

In Quebec, you can be relatively sure not to wait six hours with your sick child in an emergency room if you know how to talk to the hospital director, or if one of your old classmates is a doctor, or if your children attend the same exclusive private school as your pediatrician's children. You may get good services if you deal with a medical clinic in the business district. And, of course, you will get excellent services if you fly to the Mayo Clinic in Minnesota or to some private hospital in Europe. The point is that these ways to jump the queue are pretty expensive for the typical lower-middle-class housewife, not to talk of the poor.

An Enquiry Commission on Health and Social Services submitted a thick report in December 1987, after having met for 30 months and spent many millions of dollars. It complains that "important gaps persist in matters of health and welfare among different groups."[3] Now, isn't this statement quite incredible after two decades of monopolistic socialized health care? Doesn't it show that equalizing conditions is an impossible task, at least when there is some individual liberty left?

One clear effect of a socialized health system is to increase the cost of getting above-average care (while the average is dropping). Some poor people, in fact, may obtain better care under socialized medicine. But many in the middle class will lose. It isn't clear where justice is to be found in such a redistribution.

There are two ways to answer the question: "What is the proper amount of medical care in different cases?" We may let private initiative and voluntary relations provide solutions. Or we may let politics decide. Health care has to be rationed either by the market or by political and bureaucratic processes. The latter are no more just than the former. We often forget that people who have difficulty making money in the market are not necessarily better at jumping queues in a socialized system.

There is no way to supply all medical services to everybody, for the cost would be astronomical. What do you do for a six-year-old Montreal girl with a rare form of leukemia who can be cured only in a Wisconsin hospital at a cost of $350,000—a real case? Paradoxically for a socialized health system, the family had to appeal to public charity, a more and more common occurrence. In the first two months, the family received more than $100,000, including a single anonymous donation of $40,000.

This is only one instance of health services that could have been covered by private health insurance but are being denied by hard-pressed public insurance. And the trend is getting worse. Imagine what will happen as the population ages.

There are private solutions to health costs. Insurance is one. Even in 1964, when insurance mechanisms were much less developed than today, 43 percent of the Quebec population carried private health insurance, and half of them had complete coverage. Today, most Americans not covered by Medicare or Medicaid carry some form of private health insurance. Private charity is another solution, so efficient that it has not been entirely replaced by the Canadian socialized system.

Can Trends Be Changed?

People in Quebec have grown so accustomed to socialized medicine that talks of privatization usually are limited to subcontracting hospital laundry or cafeteria services. The idea of subcontracting hospital management as a whole is deemed radical (although it is done on a limited scale elsewhere in Canada). There have been suggestions of allowing health maintenance organizations (HMO's) in Quebec, but the model would be that of Ontario, where HMO's are totally financed and controlled by the public health insurance system. The government of Quebec has repeatedly come out against for-profit HMO's.

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Socialized medicine has had a telling effect on the public mind. In Quebec, 62 percent of the population now think that people should pay nothing to see a doctor; 82 percent want hospital care to remain free. People have come to believe that it is normal for the state to take care of their health.

Opponents of private health care do not necessarily quarrel with the efficiency of competition and private enterprise. They morally oppose the idea that some individuals may use money to purchase better health care. They prefer that everybody has less, provided it is equal. *The Gazette*, one of Montreal's English-speaking newspapers, ran an editorial arguing that gearing the quality of health care to the ability to pay "is morally and socially unacceptable."[4]

The idea that health care should be equally distributed is part of a wider egalitarian culture. Health is seen as one of the goods of life that need to be socialized. The Quebec Enquiry Commission on Health and Social Services was quite clear on this:

> The Commission believes that the reduction of these inequalities and more generally the achievement of fairness in the fields of health and welfare must be one of the first goals of the system and direct all its interventions. It is clear that the health and social services system is not the only one concerned. This concern applies as strongly to labor, the environment, education and income security.[5]

A Few Lessons

Several lessons can be drawn from the Canadian experience with socialized medicine.

First of all, socialized medicine, although of poor quality, is very expensive. Public health expenditures consume close to 7 percent of the Canadian gross domestic product, and account for much of the difference between the levels of public expenditure in Canada (47 percent of gross domestic product) and in the U.S. (37 percent of gross domestic product). So if you do not want a large public sector, do not nationalize health.

A second lesson is the danger of political compromise. One social policy tends to lead to another. Take, for example, the introduction of publicly funded hospital insurance in Canada. It encouraged doctors to send their patients to hospitals because it was cheaper to be treated there. The political solution was to nationalize the rest of the industry. Distortions from one government intervention often lead to more intervention.

A third lesson deals with the impact of egalitarianism. Socialized medicine is both a consequence and a great contributor to the idea that economic conditions should be equalized by coercion. If proponents of public health insurance are not challenged on this ground, they will win this war and many others. Showing that human inequality is both unavoidable and, within the context of equal formal rights, desirable, is a long-run project. But then, as Saint-Exupéry wrote, "Il est vain, si l'on plante un chêne, d'espérer s'abriter bientôt sous son feuillage."[6] □

1. Report of the Enquiry Commission on Health and Social Services, Government of Quebec, 1988, pp. 148, 339.
2. Gérard Bélanger, "Les dépenses de santé par rapport à l'économie du Québec," *Le Médecin du Québec*, December 1981, p. 37.
3. Report of the Enquiry Commission on Health and Social Services, p. 446 (our translation).
4. "No Second Class Patients," editorial of *The Gazette*, May 21, 1988.
5. Report of the Enquiry Commission on Health and Social Services, p. 446 (our translation).
6. "It is a vain hope, when planting an oak tree, to hope to soon take shelter under it."

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The British Way of Withholding Care

by Harry Schwartz

The problems associated with socialized medicine can be symbolized by the fate of two children, David Barber and Matthew Collier, who died in early 1988 in the British city of Birmingham.

Both children needed heart transplants to survive. Their parents became so desperate that they sued Britain's National Health Service to force the NHS to provide the necessary medical care. Their efforts were in vain: Neither child got the operation, and neither child is alive today.

The point is not that those who run socialized healthcare systems would rather see children die than give them the care they need to survive. Rather, the point is that all socialized systems lack one thing: enough money to provide quality medical care and to take full advantage of modern medical technology.

In other words, the propagandists are stretching the truth a long way when they insist that socialized medicine provides a bountiful distribution of all the medical care people could want or need. In reality, medical care is rationed in socialized systems. Managers must decide which patients will be sacrificed because the total amount of care provided is based on the total amount of money available.

J. Enoch Powell, a former British cabinet member who ran the NHS for three years, summed up the situation when he said that the demand for free medical care is infinite and cannot be satisfied by a country's limited resources. David Barber and Matthew Collier are two depressing examples of what can happen when the demand for care outstrips the supply of money.

Britain is not the only country plagued by the pitfalls of socialized medicine. Until recently, the Soviet Union's medical system was praised to the skies by Soviet propaganda and by naive Americans who were taken in by that propaganda.

But now that the current Soviet ruler, Mikhail S. Gorbachev, has called for open and honest discussion of his country's problems, the truth has emerged: Russia's health-care system is—and has long been—a disaster. Basic medicines are in short supply, while equipment to treat serious illnesses such as kidney disease is virtually unavailable.

For instance, the Soviet media have revealed that the country's infant-mortality rate in recent years has been two-and-a-half to three times greater than that of the United States. The death rate for all Soviet citizens actually is rising, and many hospitals lack even basic supplies and equipment. These revelations explain why, for most of the past two decades, the Soviet Union hasn't bothered to report statistics on its infant mortality and death rates.

As more and more of American medicine is socialized through the Medicare program for senior citizens and the Medicaid program for the poor, rationing—the denial of care to save money for the government—is becoming evident here, too.

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Reprinted from Private Practice, *May 1988.*

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For example, in Oregon, legislators recently decided that the state would not finance heart and liver transplants. Instead, they made more money available for preventive activities such as prenatal care. As a result, a number of Oregon citizens whose lives could have been saved by transplants were told, in effect, to go ahead and die because the Oregon Medicaid program would not help them.

Diagnosis Related Groups

The chief method of rationing care in the Medicare program is the system of diagnosis related groups, under which hospitals are paid a fixed amount to treat beneficiaries. The reimbursements are based on each patient's initial diagnosis. As a result, hospitals try to discharge senior citizens as quickly as possible because the less time they stay in the hospital, the more profit the hospital makes.

Medicare managers already are trying to introduce a much more radical method of rationing health care by getting as many senior citizens as they can to enroll in health maintenance organizations.

If this effort to boost HMO enrollment is successful, the government will save money because HMOs will receive a fixed amount annually for each member, regardless of how much medical care that member receives. This means that HMOs have an incentive to give as little care as possible. The less care provided, the more money HMOs will make.

One or two generations ago, many people dreamed that socialized medicine would provide every citizen with all the health care he needed or wanted. But history has proved irrefutably that socialized medicine is simply a means of imposing Procrustean rationing on the entire population. In other words, some citizens receive care and live, while others are denied care and are permitted to die as quickly as possible. □

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Moral Criticisms of the Market

by Ken S. Ewert

According to an author writing in a recent issue of *The Nation* magazine, "The religious Left is the only Left we've got." An overstatement? Perhaps. However, it points to an interesting fact, namely that while the opposition to free markets and less government control has declined in recent years among the "secular left," the political-economic views of the "Christian left" seem to remain stubbornly unchanged.

Why is this so? Why are the secular critics of the market mellowing while the Christian critics are not?

Perhaps one major reason is the different criteria by which these two ideological allies measure economic systems. The secular left, after more than half a century of failed experiments in anti-free market policies, has begrudgingly softened its hostility towards the market for predominantly pragmatic reasons. Within their camp the attitude seems to be that since it hasn't worked, let's get on with finding something that will. While this may be less than a heartfelt conversion to a philosophy of economic freedom, at least (for many) this recognition has meant taking a more sympathetic view of free markets.

However, within the Christian camp the leftist intellectuals seem to be much less influenced by the demonstrated failure of state-directed economic policies. They remain unimpressed with arguments pointing out the efficiency and productivity of the free market, or statistics and examples showing the non-workability of traditional interventionist economic policies. Why? One likely reason is that the criteria by which these thinkers choose to measure capitalism are fundamentally moral in nature, so much so that socialism, despite its obvious shortcomings, is still preferred because of its perceived moral superiority. In their eyes, the justness and morality of an economic system are vastly more important than its efficiency.

If indeed the Christian critics of the market are insisting that an economic system must be ultimately judged by moral standards, we should agree and applaud them for their principled position. They are asking a crucially important question: is the free market a moral economic system?

Unfortunately, these thinkers have answered the question with a resounding "No!" They have examined the free market and found it morally wanting. Some of the most common reasons given for this indictment are that the market is based on an ethic of selfishness and it fosters materialism; it atomizes and dehumanizes society by placing too much emphasis on the individual; and it gives rise to tyrannical economic powers which subsequently are used to oppress the weaker and more defenseless members of society.

If these accusations are correct, the market is justly condemned. But have these critics correctly judged the morality of the free market? Let's re-examine their charges.

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I. SELFISHNESS

The market, it is suggested, is based on and encourages an ethic of selfishness. According to critics of the market, mere survival in this competitive economic system requires that we each "look after Number One." Individuals are encouraged to focus on the profit motive to the exclusion of higher goals and as a result selfishness becomes almost a virtue. And this, it is noted, is in stark contrast with the self-sacrificial love taught by the Scriptures. Instead of rewarding love, compassion, and kindness towards others, the free market seems to reward self-orientation and self-indulgence. Instead of encouraging us to be concerned about our neighbor, the free market seems to encourage us to be concerned about ourselves. Individuals who might otherwise be benevolent, according to this view, are corrupted by the demands of an economic system that forces them to put themselves first. In the thinking of these critics, the market is the logical precursor to the "me generation."

However, this charge is superficial and misleading in several respects. It is important to remember that while the free market does allow "self-directed" economic actions, it does not require "selfish" economic actions. There is an important distinction here. It should be obvious that all human action is self-directed. Each of us has been created with a mind, allowing us to set priorities and goals, and a will, which enables us to take steps to realize these goals. This is equally true for those who live in a market economy and those who live under a politically directed economy. The difference between the two systems is not between self-directed action versus non-self-directed action, but rather between a peaceful pursuit of goals (through voluntary exchange in a free economy) versus a coercive pursuit of goals (through wealth transferred via the state in a "planned" economy). In other words, the only question is how will self-directed action manifest itself: will it take place through mutually beneficial economic exchanges, or through predatory political actions?

Clearly the free market cannot be singled out and condemned for allowing self-directed actions to take place, since self-directed actions are an inescapable part of human life. But can it be condemned for giving rise to selfishness? In other words, does the free market engender an attitude of selfishness in individuals? If we define selfishness as a devotion to one's own advantage or welfare without regard for the welfare of others, it is incontestable that selfishness does exist in the free economy; many individuals act with only themselves ultimately in mind. And it is true, that according to the clear teaching of Scripture, selfishness is wrong.

But we must bear in mind that although selfishness does exist in the free market, it also exists under other economic systems. Is the Soviet factory manager less selfish than the American capitalist? Is greed any less prevalent in the politically directed system which operates via perpetual bribes, theft from state enterprises, and political purges? There is no reason to think so. The reason for this is clear: selfishness is not an environmentally induced condition, i.e., a moral disease caused by the economic system, but rather a result of man's fallen nature. It is out of the heart, as Christ said, that a man is defiled. Moral failure is not spawned by the environment.

It is clear that not all self-directed action is necessarily selfish action. For example, when I enter the marketplace in order to earn wealth to feed, clothe, house, and provide education or medical care for my children, I am not acting selfishly. Likewise, if you or I want to extend charity to a needy neighbor or friend, we must first take "self-directed" action to create the wealth necessary to do so. Such action is hardly selfish.

The point is this: the free market allows individuals to peacefully pursue their chosen goals and priorities, but it doesn't dictate or determine those priorities. It does not force an individual to focus on his own needs and desires, but leaves him or her at liberty to be self-centered or benevolent. My ultimate goal may be self-indulgence, or I may make a high priority of looking after others—the choice is mine. As to which I should do, the market is silent. As an economic system, the market simply does not speak in favor of selfish or unselfish priorities.

However, the free market, while not touching the heart of a man or eliminating selfishness, does in fact restrain selfishness. It chan-

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nels self-centered desires into actions that are beneficial to others. This is so because in order to "get ahead" in the free economy, we must first please other people by producing something which is of use and value to them. In other words, the market disciplines each of us to look outwards and serve others. Only by doing so can we persuade them to give us what we want in exchange.

We will return to this theme later, but for now the point is that in a very practical sense, the workings of the market persuade even the most self-indulgent among us to serve others and to be concerned about the needs and wants of his neighbor. True, the motivation for doing so is not necessarily pure or unselfish, but as the Bible so clearly teaches, it is only God who can change the hearts of men.

Furthermore, the free market, because of the incredible wealth it allows to be created, makes living beyond ourselves practicable. In order to show tangible love toward our neighbor (minister to his or her physical needs) we must first have the wealth to do so.

We sometimes need to be reminded that wealth is not the natural state of affairs. Throughout most of history the majority of people lived under some sort of centrally controlled economic system and were forced to devote most of their energies to mere survival. Often all but the wealthiest individuals lacked the economic means to look much beyond themselves and to aid others who were in need.

But the productivity spawned by economic freedom has radically changed this. In a free market, we are not only able to choose unselfish values and priorities, but we are also able to create the wealth necessary to fulfill them practically.

II. MATERIALISM

Another moral indictment of the market, closely related to the charge of selfishness, is the belief that the market fosters materialism. The example most often used to demonstrate the market's guilt in this area is the perceived evil effect of advertising. It is contended that advertising creates a sort of "lust" in the hearts of consumers by persuading them that mere material possessions will bring joy and fulfillment. In this sense, the market is condemned for creating a spirit of materialism and fostering an ethic of acquisitiveness. The market in general, and advertising specifically, is a persistent temptress encouraging each of us to concentrate on the lowest level of life, mere material goods.

This charge can be answered in much the same manner as the charge of selfishness. Just as allowing free exchange doesn't require selfishness, neither does it require materialism. It is true that when people are economically free, materialism is possible, and certainly there are materialistic people in market economies. But this hardly warrants a condemnation of the market. Materialism, like selfishness, can and will occur under any economic system. It is obvious that a desire for material goods is far from being unique to capitalism. Witness, for example, the response of shoppers as a store puts out a new rack of genuine cotton shirts in Moscow or a shipment of fresh meat arrives in a Krakow shop.

Although the role of advertising has been much maligned, it in fact provides a vital service to consumers. Advertising conveys information. It tells consumers what products are available, how these products can meet their needs, and what important differences exist among competing products. The fact that this is a valuable function becomes apparent if you imagine trying to buy a used car in a world without advertising. Either your choice of cars would be severely limited (to those cars you happen to stumble upon, i.e., gain knowledge of) or you would have to pay more (in the form of time and resources used in seeking out and comparing cars). In either case, without the "free" knowledge provided by advertising, you would be much worse off.

But the economic role of advertising aside, does advertising actually "create" a desire for goods? If it does, why do businesses in market-oriented economics spend billions of dollars each year on consumer research to find out what customers want? Why do some advertised products not sell (for example, the Edsel) or cease to sell well (for example the hula hoop)? In the market economy consumers are the ultimate sovereigns of production. Their wants and priorities dictate what is produced; what is produced doesn't determine their wants and prior-

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ities. Many bankrupt businessmen, left with unsalable (at a profitable price) products wistfully wish that the reverse were true.

Moreover, the Bible consistently rejects any attempt by man to ascribe his sinful tendencies to his environment. If I am filled with avarice when I see an advertisement for a new Mercedes, I cannot place the blame on the advertisement. Rather I must recognize that I am responsible for my thoughts and desires, and that the problem lies within myself. After all, I could feel equally acquisitive if I just saw the Mercedes on the street rather than in an advertisement. Is it wrong for the owner of the Mercedes to incite my desires by driving his car where I might see it? Hardly.

Just as God did not allow Adam to blame Satan (the advertiser—and a blatantly false advertiser at that) or the fruit (the appealing material good) for his sin in the Garden, we cannot lay the blame for materialism on the free market or on advertising. The materialist's problem is the sin within his heart, not his environment.

If we follow the environmental explanation of materialism to its logical conclusion, the only solution would appear to be doing away with all wealth (i.e., eliminate all possible temptation). If this were the appropriate solution to the moral problem of materialism, perhaps the moral high ground must be conceded to the state-run economies of the world after all. They have been overwhelmingly successful at destroying wealth and wealth-creating capital!

III. IMPERSONALISM AND INDIVIDUALISM

Another common criticism of the market economy is its supposed impersonal nature and what some have called "individualistic anarchy." According to many Christian critics, the market encourages self-centered behavior and discourages relational ties in society. The non-personal market allocation of goods and services is seen to be antithetical to the seemingly higher and more noble goal of a loving and interdependent community. Because of the economic independence that the market affords, the individual is cut off from meaningful relationships with his fellow human beings and divorced from any purpose beyond his own interests. In short, the free market is accused of breeding a pathetic and inhumane isolation.

But does the market encourage impersonal behavior? Certainly not. It is important to understand that the presence of economic freedom does not require that all transactions and relationships take place on an impersonal level. For example, many people have good friendships with their customers, suppliers, employees, or employers. While these relationships are economic, they are not merely economic and they are not impersonal.

Furthermore, while the market leaves us free to deal with other people solely on the basis of economic motives, we are not required nor even necessarily encouraged to do so. We are completely free to deal on a non-economic basis. Suppose that I am in the business of selling food, and I find that someone is so poor that he has nothing to trade for the food that I am offering for sale. In the free market I am completely free to act apart from economic motives and make a charitable gift of the food. I have in no way lost my ability to act in a personal and non-economic way.

Community Relationships

So the market is not an inherently impersonal economic system. Nor is it hostile to the formation of community relationships.

An excellent example of a community which exists within the market system is the family. Obviously I deal with my wife and children in a non-market manner. I give them food, shelter, clothing, and so on, and I certainly don't expect any economic gain in return. I do so joyfully, because I love my family and I value my relationship with them far above the economic benefits I forgo. Another example is the church. I have a non-economic and very personal relationship with people in my church. And there are countless teams, clubs, organizations, and associations which I can join, if I choose. If I want, I can even become part of a commune. The market economy doesn't stand in the way of, or discourage, any of these expressions of community.

But now we come to the heart of this objection against the market: what if people will not voluntarily choose to relate to each other in per-

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sonal or community-type relationships? What if they choose not to look beyond their own interests and work for some purpose larger than themselves? The answer to this is the rather obvious question: Who should decide what is the appropriate degree of relationship and community?

True community, I submit, is something which must be consensual, meaning it must be voluntarily established. Think of a marriage or a church. If people do not choose to enter into these relationships when they are free to do so, we may judge their action to be a mistake, but by what standard can we try to coerce them into such relationships? Even if there were some objective standard of "optimum community," it is not at all clear that we would create it by robbing people of their economic freedom. There is no reason to believe that individuals living under a system of economic "planning" are less isolated or have more community by virtue of their system. The fact that individuals are forced into a collective group hardly means that a loving and caring community will result. Love and care are things which cannot be coercively extracted, but must be freely given.

Moreover, the free market actually encourages the formation and maintenance of the most basic human community—the family. As the utopian socialists of past centuries—including Marx and Engels—recognized, there is a vital connection between private property and the integrity of the family. Destroy the one, they reasoned, and the other will soon disintegrate.

Their motives were suspect but their analysis was correct. When the state fails to protect private property and instead takes over the functions traditionally provided by the family (such as education, day care, health care, sickness and old-age support), the family unit is inevitably weakened. Family bonds are undermined as the economic resources which formerly allowed the family to "care for its own" are transferred to the state. There is little doubt that the disintegration of the family in our country is in large part due to state intervention. Instead of turning toward and receiving personal care from within the family, individuals have been encouraged to turn toward the impersonal state. The result has been the disintegration of family bonds. It is state economic intervention—not the free market system—which is inherently impersonal and antithetical to true human community.

IV. ECONOMIC POWER

The objection to the market on the grounds of impersonalism is based on the same fallacy as were the previously discussed charges of selfishness and materialism. Each of these claims indicts the market for ills which in fact are common to all mankind—faults that would exist under any economic system. Impersonalism, selfishness, and materialism are the consequence of the fall of man, not the fruit of an economic system which allows freedom. If these sinful tendencies are an inescapable reality, the question that must be asked is: "What economic system best restrains sin?"

This brings us to a fourth moral objection to the market which is often espoused by the Christians of the left: that the market, which is often pictured as a "dog-eat-dog" or "survival of the fittest" system, leaves men free to oppress each other. It allows the economically powerful to arbitrarily oppress the economically weak, the wealthy to tread upon and exploit the poor. According to this view, wealth is power, and those with wealth will not necessarily use their power wisely and justly. Because the nature of man is what it is, this "economic power" must be checked by the state and restrained for the public good.

But does the market in fact allow individuals to exploit others? To begin with, there is a great deal of misunderstanding about this thing called "economic power." The term is in fact somewhat of a misnomer. When we speak of power, we normally refer to the ability to force or coerce something or someone to do what we desire. The motor in your car has the power to move the car down the road; this is mechanical power. The police officer has the power to arrest and jail a lawbreaker; this is civil power. But what of economic power? If I possess a great deal of wealth, what unique ability does this wealth confer?

In reality what the critics of the market call economic power is only the ability to please others, and thus "economic power" is not power in the true sense of the word. Regardless of a person's wealth, in the free market he can

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get what he wants only by pleasing another person through offering to exchange something which the other deems more valuable. Wealth (assuming it is not used to buy political power) doesn't bestow the ability to apply force to or dominate another individual.

Take for example the employer of labor, an individual who is often considered to be the embodiment of economic power and an exploiter of those less powerful than himself. It is often forgotten that an employer can get what he wants—employees for his business—only by offering something which pleases them, namely a wage which they consider better than not working, or better than working for someone else. He has no power to force them to come and work for him, but only the power to offer them a better alternative.

What ensures that he will want to make them a pleasing offer? The fact that doing so is the only way to get what he is interested in, namely their labor, provides a very strong incentive. But suppose the prospective employee is in very desperate straits and almost any wage, even one which seems pitifully low, will please him enough to work for the employer. In this situation, it seems as if the employer can get away with paying "slave wages" and exploiting the economically weaker employee.

This scenario, however, ignores the effects of the competition among employers for employees. In the market economy, employers are in constant competition with other employers for the services of employees. They are "disciplined" by this competition to offer top wages to attract workers. Because of competition, wages are "bid up" to the level at which the last employee hired will be paid a wage which is very nearly equivalent to the value of what he produces. As long as wages are less than this level, it pays an employer to hire another employee, since doing so will add to his profits. Economists call this the marginal productivity theory of wages.

But what if there were no competing employers? For example, what about a "one-company town"? Without competition, wouldn't the employer be able to exploit the employees and pay "unfair" wages?

First of all, it is important to remember that in the free market, an economic exchange occurs only because the two trading parties believe that they will be better off after the exchange. In other words, all exchanges are "positive sum" in that both parties benefit. Thus if an employee in this one-company town is willing to work for low wages, it is only because he or she places a higher value on remaining in the town and working for a lower wage than moving to another place and finding a higher paying job. The "power" that the employer wields is still only the ability to offer a superior alternative to the employee. In choosing to remain and work for a lower wage, the employee is likely considering other costs such as those of relocating, finding another job, and retraining, as well as nonmonetary costs, such as the sacrifice of local friendships or the sacrifice of leaving a beautiful and pleasant town.

Moreover, this situation cannot last for long. If the employer can pay wages that are significantly lower than elsewhere, he will reap above-average profits and this in turn will attract other employers to move in and take advantage of the "cheap labor." In so doing, these new employers become competitors for employees. They must offer higher wages in order to persuade employees to come and work for them, and as a result wages eventually will be bid up to the level prevailing elsewhere.

Economic Ability to Please

What is true for the employer in relation to the employee is true for all economic relationships in the free market. Each individual, though he may be a tyrant at heart, can succeed only by first benefiting others—by providing them with an economic service. Regardless of the amount of wealth he possesses, he is never freed from this requirement. Economic "power" is only the economic ability to please, and as such it is not something to be feared. Far from allowing men to oppress each other, the free market takes this sinful drive for power and channels it into tangible service for others.

It is also important to consider that the only alternative to the free market is the political direction of economic exchanges. As the Public Choice theorists have so convincingly pointed

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out in recent years, there is no good reason to suppose that people become less self-interested when they enter the political sphere. In other words, to paraphrase Paul Craig Roberts, there is not necessarily a "Saul to Paul conversion" when an individual enters government. If he was power-hungry while he was a private-market participant, he likely will be power-hungry after he becomes a "public servant."

But there is an important difference. In contrast with economic power, political power is truly something to be feared because of its coercive aspect. The power-seeking individual in government has power in the true sense of the word. While in the market he has to please those he deals with in order to be economically successful, the same is not true, or is true to a far lesser degree, in the political sphere. In the political sphere he can actually abuse one group of people but still succeed by gaining the favor of other groups of people.

A classic example is a tariff. This economic intervention benefits a small group of producers (and those who work for or sell to the producers) at the expense of consumers who have to pay higher prices for the good in question. The politician gains in power (and perhaps wealth) because of the significant support he can receive from the small but well-organized group of producers. Other examples of the use of political power that clearly benefit some individuals at the expense of others are government bail-outs, subsidies, price supports, and licensing monopolies. The fact that these types of legislation continue despite the fact that they harm people (usually the least wealthy and most poorly organized) demonstrates the tendency of mankind to abuse political power.

In fact, virtually every state intervention into the economy is for the purpose of benefiting one party at the expense of another. In each of the cases mentioned above, some are exploited by others via the medium of the state. Therefore, if we are concerned about the powerful oppressing the weak, we should focus our attention on the abuse of political power. It, and not the so-called "economic power" of individuals acting within the free market, is the true source of tyranny and oppression. Our concern for the downtrodden should not lead us to denigrate economic freedom but rather to restrain the sphere of civil authority.

V. CONCLUSION

The free market is innocent of the charges leveled at it by its Christian critics. Its alleged moral shortcomings turn out to be things which are common to mankind under both free and command economic systems. While it is true that the free market restrains human sin, it makes no pretense of purging people of their selfishness, materialism, individualism, and drive for power. And this, perhaps, is the true sin in the eyes of the market's critics.

The market is explicitly non-utopian. It doesn't promise to recreate man in a new and more perfect state, but rather it acknowledges the moral reality of man and works to restrain the outward manifestations of sin. In this sense the free market is in complete accord with Biblical teachings. According to Scripture, man cannot be morally changed through any human system, be it religious, political, or economic, but moral regeneration comes solely through the grace of God.

If the Christian critics of the market expect an economic system to change the moral character of people, they are sadly mistaken. Such a task is clearly beyond the ability of any human institution or authority. We must be content to restrain the outward expression of sin, and this is something which the free market does admirably. □

Governments and Men

IDEAS ON LIBERTY

GOVERNMENTS, like clocks, go from the motion men give them; and as governments are made and moved by men, so by them they are ruined, too.

— WILLIAM PENN

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Scandal at the Welfare State

by Tibor R. Machan

There is much talk these days about government corruption. Scandals abound and usually involve special benefits obtained by organizations from local, state, or federal governments. Government officials are accused of playing favorites as they carry out their duties. They are charged with accepting gifts or campaign contributions in return for giving supporters special treatment.

But there is reason to believe that the more obvious improprieties are merely routine behavior carried out somewhat ineptly. In other words, it is very doubtful that politics in our society involves anything more noble than playing favorites, serving special interests—and neglecting what could be reasonably construed as the true public interest.

Although the distinction between the public and the private interest is quite meaningful, the democratic welfare state totally obscures it. Such a system favors majority rule regarding any concern that some member of the public might have (if it can be brought to public attention). It treats everyone's project as a candidate for public support. And, of course, most every person or group has different objectives. Thus, so long as these objectives can be advanced by political means, they can gain the honorific status of "the public interest."

It is noteworthy that this may be the result of what Professor Benjamin Barber of Rutgers University has called a strong democracy—a political system that subjects all issues of public concern to a referendum. This approximation of strong democracy—where, for example, just wanting to add a porch to one's home must be cleared with the representatives of the electorate—has produced our enormous "welfare" state. Yet it was just this prospect that the framers of the U.S. Constitution wanted to avoid. That in part accounted for their insistence on a Bill of Rights, namely, on denying to government—democratic, monarchical, or whatever—the kind of powers that strong democracy entails.

To see how confusing things have become in this kind of strong democracy/welfare state, consider a few current topics of "public concern." Take, for example, wilderness preservation, an issue that appeals to many and cannot be considered a bad example—environmentalists who favor interventionist policies certainly believe that government preservation of wilderness areas is in the public interest.

Yet it is not unreasonable to suppose that many people do not have the wilderness as their top priority. Sure, they might like and even benefit from some of it. But in the main, they might prefer having at least part of the wilderness given up in favor of, say, housing development which might better suit their needs.

Or take all those Ralph Nader-type crusades for absolutely safe automobiles, risk-free medical research, and the banning of genetic experiments. Mr. Nader is the paragon of the so-called public-minded citizen, presumably

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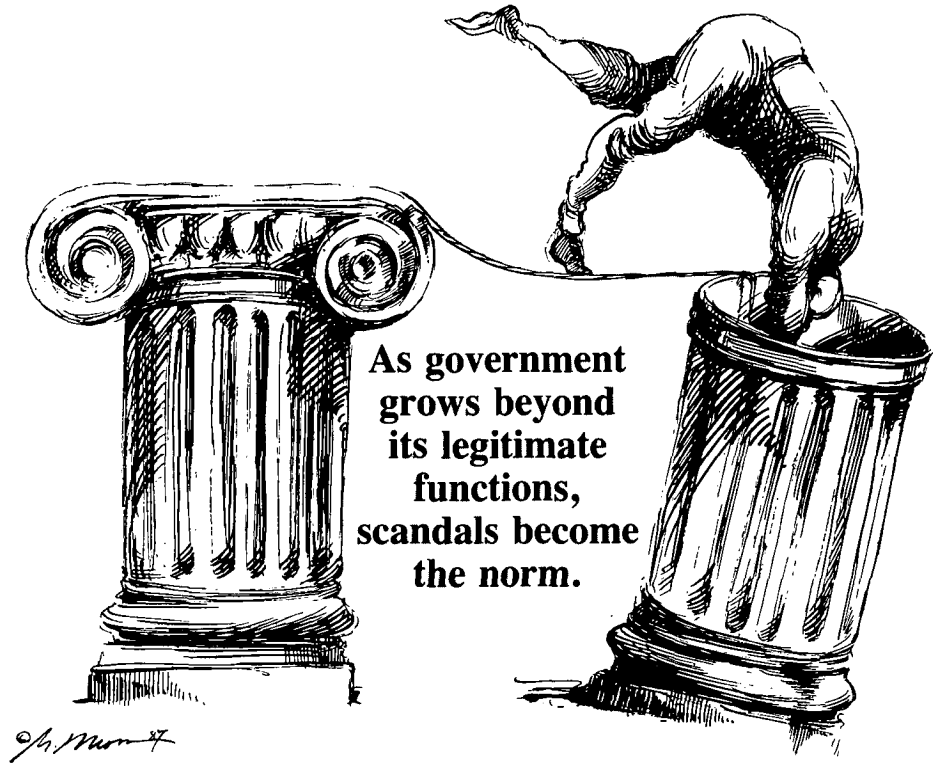

without a self-interested bone in his body. Whatever his motives, however, his concerns quite legitimately are not shared by many citizens—e.g., those who would prefer more powerful, maneuverable automobiles that can quickly get out of tight spots. These people might well lead better lives without all this worry about safety—they might be good drivers for whom Nader's concern about safety is superfluous.

Jeremy Rifkin, a Nader type who would ban all genetic experimentation, is another of those who bill themselves as public interest advocates, presumably without a tinge of self- or vested interest to their names. But such persons in fact serve quite particular interests. These and similar-minded individuals clearly do not favor the general public. They favor, instead, some members of it. The rest can fend for themselves when Mr. Rifkin and others gain the political upper hand.

The point is that when government does so much—in behalf of virtually anyone who can gain political power or savvy—it is difficult to tell when it is serving the true public interest. Everyone is pushing an agenda on the government in support of this or that special interest group.

There is under such a system hardly any *bona fide* public service at all. In this case, laws often serve a private or special purpose—e.g., smoking bans in restaurants, prohibition of gambling, mandatory school attendance, business regulations that serve the goals of some but not of others. Such a bloated conception of the "public" realm even undermines the integrity of our judicial system. Courts adjudicating infractions of such special interest laws become arms of a private crusade, not servants of the public.

An Erosion of Confidence

One consequence of this is that confidence in the integrity of government officials at every level, even those engaged in the essential functions of government, is becoming seriously eroded. The police, defense, and judicial functions all are suffering because government has become over-extended.

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As government grows beyond its legitimate functions, scandals become the norm. They certainly should not be surprising. They merely represent the more obviously inept ways of trying to get the government to do your own private, special bidding.

It is all just a matter of getting your part of the pie out of Washington—whether it be day care for your children, a monument to your favorite subjects, help to unwed mothers, support of faltering corporations, or protection of the textile industry from foreign competition. Everyone wants to get the government on his side. Some people do this in ways that make it all appear on the up and up. They hire the necessary legal help to navigate the complicated catacombs of the welfare state. Others aren't so adept.

In such a climate it is actually quite surprising that not more scandals erupt. Probably that is due to even more corruption—in this case cover-ups.

Were government doing something more nearly within its range of expertise—protecting individual rights from domestic and foreign threats—some measure of ethical behavior could be expected from it. But when, despite all the failures and mismanagement of government, people continue to go to it to ask for bailouts, why be surprised when some do it more directly, without finesse? And why wonder at their claim, when caught seeking favors openly and blatantly, that they are innocent?

In light of this, an old adage gains renewed support: the majority of people get just the kind of government they deserve. It is they who clamor for state favors by dishonestly calling their objectives the "public" interest. Notice how many look to political candidates for future favors, how many support this or that politician because they expect something in return once the political office has been gained. Unfortunately, many of us who choose not to play the political game have the results imposed on us in the form of higher taxes and more burdensome regulations.

It may be surprising, after all this, that there are certain matters which are of genuine public interest—the Founding Fathers had a clear idea of the public interest, as have most classical liberals. The public interest amounts to what is in everyone's best interest *as a member of the community*—the defense of individual rights from domestic and foreign aggression. Here is where our individual human rights unite us into a cohesive public, with a common interest. We are justified in establishing a government, with its massive powers, only if this is our goal—to protect and maintain the public interest so understood.

Once we expand the scope of the *public*—in effect make the concept "public" quite meaningless—the powers of the state get involved in tasks that serve only some of the people, and often at the expense of other people. And that simply breeds bad government—whether hidden, by phony legislation and regulation, or by means of out-and-out corruption and subsequent scandal.

It is therefore not surprising that the welfare state is so susceptible to misconduct. The lesson we ought to take away is that the scope of government should be reduced to proper proportions—the defense of individual rights. □

IDEAS ON LIBERTY

Why History Repeats Itself

Some modern zealots appear to have no better knowledge of truth, nor better manner of judging it, than by counting noses.

—JONATHAN SWIFT

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Private Cities

by J. Brian Phillips

In recent years, the benefits of the free market have been demonstrated as governments around the world have turned to the private sector to provide services more efficiently. However, critics of the free market argue that these benefits are isolated cases—that a truly free society is unworkable and impractical. Government, the argument goes, is far better equipped to provide the services and public facilities individuals need and desire.

However, a growing number of American homeowners are unknowingly demonstrating just how far privatization can go. Planned unit developments (PUD's) are privately developed, and primarily privately operated, communities.

PUD's first became popular in the mid-1960s after Congress passed the 1961 Housing Act permitting the Federal Housing Administration to insure condominium mortgages. Today, nearly 30 million Americans live in approximately 100,000 planned communities, consisting of single-family homes, townhouses, condominiums, shopping centers, office buildings, and facilities to house light industry. These communities range in size from a single condominium building to huge complexes of more than 50,000 acres. PUD's include retirement communities in the sunbelt states, all-adult communities, and communities catering to families with children.

Whatever the particulars of a given community, PUD's have three common traits: building and land use restrictions, shared amenities, and community associations to which all property owners belong.

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The Economist (April 5, 1986) reports that "within their enclaves these associations perform all the functions of a small government." The associations, according to one development company, "work to assure that the communities' amenities, public facilities and other areas are supported and maintained." (*New Home Journal,* May/June 1987) In essence, they are a combination public works/parks and recreation department. Funding usually comes from maintenance fees assessed on each property owner.

Perhaps the most important function of the community association is enforcing deed restrictions. Deed restrictions are a form of private "zoning," in which developers establish certain rules to prevent undesirable buildings and land use. Like zoning, deed restrictions provide continuity within a given area; unlike zoning, deed restrictions are governed by market considerations.

"When you are developing a master-planned community you are essentially trying to make it so the [homeowner] doesn't have to leave the area to get what he wants," explains Dennis Guerra, a project manager for the First Colony master-planned community near Houston. This requires a careful marketing study to determine the amenities homeowners want. Retail shops, grocery and convenience stores, doctors, dentists, animal clinics, and other frequently visited businesses are often located within the community.

Most PUD's consist of a number of villages—subdivisions within the PUD—separated by the community's major roads. Business areas are located along these thoroughfares, which helps "keep cars essentially

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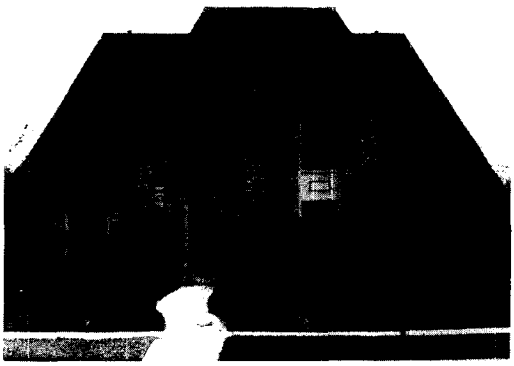

JANE H. HERBENER

One of the homes in Houston's First Colony.

out of the residential areas," says Guerra. In planning a community, the developer must work closely with the business community to construct a plan which benefits businesses and future homeowners.

This does not mean that businesses dictate a community's plan. For many years, Guerra says, First Colony resisted attempts by various fast-food chains to build restaurants in the community. The locations sought by the chains would have drawn excessive traffic and disrupted the developer's master plan. Because developers must be concerned with the long-term economic success of their projects, such considerations are essential. Conversely, zoning boards are generally motivated by short-term political expediency. More significantly, deed restrictions eliminate zoning bureaucracies and the accompanying taxes.

While separating commercial and residential areas is a common justification for zoning, developers have found that many homeowners prefer to be close to shopping centers and their jobs. Indeed, many communities seek businesses for this very reason. For example, Windward, a community north of Atlanta which caters to relocated executives, encourages corporations to locate facilities within the community. Dearborn Park, just south of Chicago's Loop, is within walking distance of work for many of its young, professional residents. Many communities locate light industries along their perimeters. These mixed-use communities are becoming increasingly popular, as the free market seeks to meet the demands of homeowners. This type of flexible land use is nearly always prohibited by government zoning boards.

The extensive planning required by PUD's offers a private alternative to another activity traditionally undertaken by government: protection of the environment. Parks, greenbelts, jogging trails, and wooded areas can be found in nearly every planned community. According to one development company, this is how it "enhances the values of a master-planned community by working with, not against, nature." (*New Home Journal*, May/June 1987) Some developers go so far as to operate tree farms within their communities.

In Washington State, timber industry giant Weyerhaeuser Company is planning a $1 billion residential community abutting Puget Sound. Up to 30 percent of the community will be open space—golf course, parks, trails, and forests. At Boca Pointe, a 1,019-acre community in Boca Raton, Florida, nearly 40 percent of the development consists of parks, greenbelts, lakes, and fairways. Kingwood, a community near Houston also called The Livable Forest, has more than 30 miles of wooded trails for walking, jogging, and bike riding.

Golf courses are popular amenities in master-planned communities, as builders seek to create a resort-like atmosphere for homeowners. "Equestrian communities"—developments with horseback-riding facilities—have been built or are planned in Arizona, Illinois, Utah, and California. The Palm Beach Polo and Country Club in Florida offers ten polo fields, 45 holes of golf, and two croquet lawns for residents. Swimming pools, health clubs, tennis courts, saunas, and other recreational facilities are also common in PUD's.

While these facilities are generally built by the developer, the homeowners association eventually assumes control and maintenance responsibilities. Some facilities, such as golf courses and health clubs, are operated by private businesses, and require membership fees. But all of these recreational facilities are provided by the private sector, replacing the parks and recreation departments found in most cities.

Just as city governments organize sports leagues to use municipal parks, homeowners associations sponsor activities to utilize the community's facilities. Basketball, softball, and volleyball leagues are popular among adults. "Dads' clubs" organize and operate

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baseball, swimming, and other sports teams for community children.

Community activism is hardly limited to athletics. The homeowners associations encourage "grass-roots" democracy, and give property owners an opportunity to influence decisions regarding their community. Civic associations also provide support groups, and sponsor art shows, theater groups, and scouting programs for children. A civic group in Kingwood, near Houston, opened a 60,000-volume library in 1983. Fun runs, parades, and holiday celebrations are also common activities within PUD's.

A High Level of Services

To homeowners, one of the most attractive features of master-planned communities is their security. At Las Colinas, near Dallas, a computer-controlled security system provides immediate aid from police, firemen, or medical professionals. The Towers of Quayside in Miami is a virtual fortress, with closed-circuit television surveillance, an electronic anti-intrusion beam, and strolling security guards keeping out unwanted visitors.

While such sophistication is rare, even less affluent neighborhoods often have some form of private security protection. Shared costs make this affordable. Most developers construct gates at the entrances to their communities. When residents are willing to pay for it, these gates are manned by security personnel. Other communities establish volunteer security patrols, consisting of community residents.

Fire protection—particularly in unincorporated areas—is usually provided by either private companies or volunteer fire departments. Independent water districts provide water and sewage treatment. Private companies collect garbage, and are contracted by the homeowners association. Catering to families, Centura Parc in Florida and Lake Valley Ranch in Texas offer day care for children. Other developers are also planning to include child care facilities.

Because of the high density of homes in most PUD's, they make attractive targets for cities seeking to expand their tax bases through annexation. Generally, when a PUD is annexed, most services—water, fire protection, garbage pick-up, etc.—are then provided by the municipality. In the process, homeowners lose autonomy and the accompanying benefits.

Some services, such as schools, are provided by the public sector in nearly all PUD's. Many communities in unincorporated areas rely on the county sheriff's department for security. And road maintenance, after certain requirements are met, generally becomes the responsibility of county road crews. But this does not detract from the broader lesson to be learned from master-planned communities; the private sector can and does provide nearly all services traditionally assigned to city governments. While opponents of privatization are arguing that only government can provide certain services—parks and recreation facilities, land use controls, trash pick-up, fire protection—private developers are busily proving otherwise.

Like every human enterprise, PUD's have their critics. Deed restrictions, critics argue, are often excessive. Planned communities aren't planned well enough. Streets are often haphazard. Retail shops are too inconvenient to reach. Such criticisms are generally intended to justify some form of government planning, either direct or indirect.

However, no community, regardless of who plans it, will appeal to everyone. Our tastes in neighborhoods, like our tastes in movies, clothes, and food, vary as widely as individuals themselves. And this is precisely why the free market is vastly superior to government planning—freedom allows individuals to choose and pursue their own values without interference from others. The free market operates on voluntary, contractual agreements; government policies and programs operate by means of coercion.

In a free, competitive market, developers must compete to attract customers. Excessive regulations or inefficient land use will discourage potential buyers, and detract from the developer's long-term economic self-interest. Protecting property values through deed restrictions and providing high-quality, low-cost services make master-planned communities an attractive housing alternative. Thirty million Americans call them home; advocates of freedom call them a step in the right direction. □

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1992: Which Vision for Europe?

by Nick Elliott

Should we look forward to 1992 or view it with trepidation? This is the question in the minds of the many onlookers, inside and outside of Europe, who are waiting nervously to see what form the new Europe will take.

Nineteen ninety-two is the year that the Single European Act comes into force. This Act was agreed to by the member countries of the European Community. The aim of it is to dissolve the barriers which divide countries within Europe, to allow more communication and integration.

Everybody is talking about 1992 because it is the opportunity for a change of direction. It is a chance to turn the Community into something more useful than it has been. At the moment the problem is that the European leaders have differing visions. Some would like to use the Community as a framework for freer trade and less regulation. On the other side are those who have always hankered after a federal European government.

The European Economic Community (EEC) was formed by the Treaties of Rome, signed in 1957 by representatives from Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands. The intention was to do away with tariffs between members, set uniform external tariffs, and permit free movement of labor and capital.

European "government" became a reality in 1967 with the establishment of a European Parliament, Council of Ministers, European Commission, and European Court of Justice with headquarters in Brussels. The collective name given to these bodies and the EEC was the "European Community." Britain joined the Community in 1973, and there are now twelve members: Belgium, Denmark, France, West Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and Britain.

Many of the politicians who originally planned the European Community envisaged genuine European government, with legislative powers gradually relinquished by member governments and vested in the European state machinery. Little has been achieved in this direction. European government has failed to establish authority. It has intervened quite rarely in the affairs of sovereign parliaments, and Commission rulings have often been disregarded. Italy, for example, has been summoned to the European Court of Justice over 100 times for failure to comply with Commission directives, and in 36 of these cases it has continued to break the rules after being found guilty.

More important than the attempts made at sovereign European government have been Community economic policies. The largest part of Community activity has been agricultural subsidization. Around two-thirds of the Community budget every year is spent on the Common Agricultural Policy (CAP) which is largely a system of production subsidies for the farmers of member countries. CAP has added almost $20 a week to the food bill of the average family, and has sponsored massive overproduction. For the layman, this is what the European Community amounts to—butter mountains and wine lakes, and overpaid bureaucrats in Brussels to administer them.

When the Community was originally formed, the consensus of principles was very different to what it is today. The Rome Treaties were written in the spirit of the age. They embodied the corporatist economic and political ethos that prevailed at the time. Output of coal and steel and supplies of wheat and milk were to be determined by a single "supranational authority."

Mr. Elliott works for the Adam Smith Institute, a free-market think tank in London. He is a regular contributor to the journal Economic Affairs, *published by the Institute of Economic Affairs.*

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The assumptions were that production decisions shouldn't be left to uncoordinated individual markets, but instead should be managed by government overseers who could better identify the best interests of the entire Community.

The whole design of the Community was framed by the same interventionist preconceptions. It is unfortunate that the Community government superstructure has remained largely untouched by the changes in the foundations of political thinking since. Although the ideas of the 1950s have almost been relegated from discourse, the dead shell remains. The Community, in its old form, has not been popular in Britain and the same is true, I suspect, among the silent majorities of the other European member countries. Contrary to the aim of fostering unity, the Community has been the source of endless nationalistic antagonisms over agricultural quotas and price supports.

Community membership has been a burden to endure. Free marketeers identify 1992 as a chance to redefine the Community, to make Europe a free trade zone under its auspices. Margaret Thatcher sees 1992 as the opening for greater economic integration; she views it as the chance to remove regulations and trade barriers which hinder trade links between European countries.

A different vision is held by Jacques Delors, who is President of the European Commission, the executive body of the Community. He is at least equally concerned to use 1992 to elevate continental government. He said recently that he expects 80 percent of future legislation to come from Brussels.

What Will 1992 Bring?

Nineteen ninety-two remains a year in search of an identity. No one can be quite sure of what it will bring. Recent debates, however adversarial, are essential as part of the political process of pinning down some points of compromise and agreement. Over the next few years the consequences of this debate will clarify, and what exactly is going to happen in 1992 will become much clearer too.

What is needed is to update the Community in keeping with the complexion of the 1980s and 1990s. A good start toward this is the proposal of a Single European Market, a scheme for removing trade barriers which interrupt the flow of goods and services between member countries. The Single European Market is exactly the kind of innovation that the Community needs. It can bring the Community up to date with the new consensus for freer markets. It might also improve the disposition of the English to be "European" by delivering some tangible benefits.

The Single European Market is potentially a herald of momentous changes. It will lead to many new specializations as free competition traces out the patterns of comparative advantage. Over the last decade British people have adjusted themselves to living in a more dynamic and mobile society. Thatcherism has encouraged people to assume the outlook of entrepreneurship; people are much more ready to look for their own niche in the market.

This will accelerate with the European market. There are likely to be many challenges to traditional patterns of life; a coal pit in Wales might find it impossible to compete with European rivals. But just as there will be many more shocks to the ossified Britain of old, so people will learn to accept it and to thrive.

With the new choices provided by a European market for consumers to shop around in, government-run enterprises will lose their monopoly power. One example is the British Broadcasting Corporation (BBC). With deregulation of broadcasting on the agenda, and with the rapid spread of satellite TV, it will soon be possible in Britain to tune into a multitude of stations. The BBC will be forced to reform its snooty attitude toward providing television that people want to watch. Otherwise it will lose out to foreign stations which give a better service.

The same stiff wind of competition will be brought to bear on the archaic practices of banks, probably to the cosseted profession of lawyers, and, with the completion of the Channel tunnel, to ferry services. The National Union of Seamen will lose its stranglehold on cross-channel services. Deregulation will snowball as releasing one set of controls renders others less easy to enforce.

Most of the moves toward the Single European Market have been very positive. At the European summit meeting last June, it was

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agreed that all controls on capital movements will go, this being preparation for European competition in financial services. It was decided that all quota and licensing controls on road haulage will be scrapped. The European Commission announced in August that there will be free competition in European air travel after 1992.

One other trend which is being encouraged is for Europeans to be much more mobile in work. There is to be a mutual recognition of university degrees and diplomas, to allow firms easier access to skilled people. This is another wholly good idea—to encourage firms and individuals to look beyond their own frontiers. In Britain, it will help to relieve the labor shortages that are being encountered by some companies now that unemployment is falling.

Will It Be a Fortress?

Countries outside of Europe, especially Japan and the United States, are watching Europe, suspicious that the free trade ideas of 1992 will be kept within boundaries, behind a wall of protectionism to exclude everybody else. The EEC does have a poor record of protectionism, one that is hard to escape. Onlookers are also disturbed by talk of a "reciprocity clause," proposed by the European Commission as a control on competition for 1992. This clause would make admittance of a foreign competitor depend upon mutual openness: before an American bank would be allowed to open a branch in Europe, the Community members would have to be satisfied that a European bank would have the same access to the U.S. banking market.

Some recent precedents have been worrying. The European Court of Justice recently upheld a fine on American, Canadian, and Finnish wood producers who had been convicted of attempting to fix prices. This sounds like protection in disguise. Early last summer there were several cases brought against Japanese firms accused of "dumping." Duties were imposed on computer printers which had Japanese components but were assembled inside the EEC.

Photocopiers made by Matsushita, Konica, and Toshiba were charged a duty of $280 because they failed to meet Community requirements that at least 40 percent of components be of EEC origin. The French government attempted to block imports of the British-assembled Nissan Bluebird on the grounds that less than 80 percent of the materials are European. The European Commission is expected to tell the French to admit the Bluebird, and to fix the local content level at 60 percent.

It is unfortunate that at the very time Washington is in a protectionist stance, the Community is making hostile noises toward the United States. What threatens is tit-for-tat trade barriers, the first choice for no one. The truth is that free trade is best and that trade protectionism harms both the barred and the barrier-builder.

Trade barriers have added $280 to the prices Europeans must pay for Japanese photocopiers. The French ban on the Nissan Bluebird has denied the French the opportunity to buy an inexpensive car, and is a threat to jobs. The Nissan plant in England is in Sunderland, a high unemployment area. Ironically, the ban is also a threat to French jobs because the cassette players, high tension leads, sun visors, and door casings used in the Bluebird are made in France. Here is clear evidence that trade barriers always backfire.

The case against free trade has been debunked time and again, and there are few who will defend subsidies in theory. The problem is that trade policies aren't being decided with regard to the general well-being, but are backed by vociferous producer interest groups. Farm subsidies don't persist because legislators are too stupid to see the grain mountains, but because farmers are organized well enough to block any change. The French did not ban the Bluebird out of malign intentions, but because of pressure from domestic car producers.

Looking at the optimistic side, European trade barriers could be loosened when article 115 in the Community statutes is abolished as part of the preparation for freer markets in 1992. This is the clause which permits barriers against foreign goods entering through another member country, like Nissan cars assembled in Britain. It is certain, however, that some protection will continue. There will still be open subsidies, as well as more covert forms such as the cheap loans given out by the German government.

In the past there have been plenty of rebel-

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lions by members against Community policies. It seems likely that, in the case of trade after 1992, members will put individual interpretations on Community policy. As is now the case, some will be more open than others. The Eurocrats probably realize that it is best to avoid making enemies of America and Japan by erecting a fortress. We must try to keep the European market from becoming autarkic, and ensure that it remains the worthy enterprise that it can be.

Britain As the Awkward Member

It is apt that Margaret Thatcher, as the symbolic leader of the world movement away from the pretenses of the omnipotent state, has injected some realism into debate over the future course of Europe. The two issues on which Britain was recalcitrant last year were tax harmonization and passport controls. The stand on taxes was admirably sensible, but the caution over freeing border controls was pointlessly timid.

As part of the preparations for the Single European Market, the Commission ordered that member states harmonize their rates of indirect taxation. The idea was that, if there is to be free competition across frontiers, then all competitors should begin from the same point. If tax rates vary, the theory goes, then some producers will be penalized by the handicap of high taxes, while those in low tax countries will start from an unfair advantage.

For Britain this would mean the imposition of the VAT (value-added tax—a sales tax) for the first time on food, fuel, and children's clothing. For some other members the adjustments required would be far more drastic. Denmark would have to slash its punitive taxes on alcohol, while Greece would have to endure a large tax hike in order to find parity with other members. The extension of VAT in Britain would meet with great resistance, and none of the changes appeal to the politicians who would have to foist them on the electorate. European politicians are often critical of Thatcher's intransigence, but in this they probably welcome the lead she has set.

The British Chancellor of the Exchequer, Nigel Lawson, has put the case for an alternative "market-based" strategy. This would involve deregulating first and then letting countries worry about their own tax rates. High tax countries, he says, would be encouraged to bring taxes down to compete better in the European market. Low tax countries would attract the productive capital and the entrepreneurs. This scheme has the great merit that it would tend to make tax rates gravitate downwards. The leveling approach of the Commission, in contrast, entails leveling some rates down and some up. Another attribute of Lawson's proposal is that it doesn't require any large, drastic, and politically unpalatable changes. It is the most realistic proposal, and the most likely to succeed.

According to the Single European Act, agreed to by all member countries in 1986, Europe will become "an area without internal frontiers" in 1992. On this issue the British government has become cautiously jealous of island status, and has decided that to allow foreigners to visit with the utmost ease is no longer a good idea. The reason given is that it would also ease access for terrorists, illicit drugs, and for animals with rabies.

Before 1914 only Russia and Turkey required passports for entry, with movement free between all the other European countries. During the First World War, passport controls were introduced as a wartime expedient, one of the many that have fettered us ever since.

The terrorist excuse is weak. The terrorist organization which afflicts Britain the most is the IRA, based in the Republic of Ireland, which is the only European country whose nationals require no passport for entry to Britain. Identifying terrorists has never been the problem. We know who they are, but we need to catch them at it. Nor is it beyond the means of professional terrorist organizations to buy false identities or to use unknown new recruits.

Without passport controls the import of narcotics would still be an offense, and animals would still be subject to quarantine restrictions. Stopping people from buying and selling drugs has become something of a blind crusade, pursued without regard for civil liberties. When innocent people can be forcibly strip-searched on their way home from holiday, then the law is surely amiss. Our priority should be the well-being of the many people who would visit Brit-

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ain to do business or just to take photographs of the Tower of London. If we make it more inconvenient for them to come, then they will go and spend their money in Paris or Rome instead.

On the issue of passport controls, the Commission is right and the British government is being reactionary. But what is more important than winning this argument is resisting the clamor for compulsory identity cards. In September a Home Office civil servant argued that 1992 may necessitate identity cards to keep track of foreigners who will come and go from Britain. Identity cards have also been called for recently as a method of controlling crime in Britain. The idea is a thoroughly pernicious one, open to many abuses. If we must choose between the two, then passports are the lesser of two evils.

What is likely to happen is that the influx of visitors will be far more than anyone anticipated. The French already are claiming that British Rail has underestimated the volume of traffic it will have to carry to and from the Channel ports and tunnel in the 1990s. Whenever I have traveled in and out through Dover, it has seemed that the passport controls are little more than a token pretense, with no serious attempt at the impossible task of monitoring masses of travelers. It is likely that, come 1992, the frontier controls simply will be swamped and that in virtually everything but name, we will have free movement. The biggest cost will be the $18 million customs and immigration facility being built at Waterloo station in London, designed to control the flow of incoming Europeans.

The Ideological Quarrel

It is not a good thing for European unity that Jacques Delors is President of the European Commission, the organizing body for 1992. He is both an abrasive personality and a tout for old-style socialism. Delors' vision for Europe is a political one. He wants to construct a central European government that will rule all of Europe as a federation.

Put bluntly, Delors has horrified Thatcher and shocked her into rejection. Nothing could be more depressing for her than the thought of absolute rule by the Eurocrats of Brussels. This is what she said in her speech in Bruges in September: "We have not successfully rolled back the frontiers of the state in Britain, only to see them reimposed at a European level, with a European superstate exercising a new dominance from Brussels."

The quarrel is not only about the form of European government, because Delors is also clearly unhappy about some of the implications of the Single European Market. He warned that "too much freedom can be repressive," meaning that he wants a European government which interferes and regulates. In the same speech he called for a new Keynes or Beveridge to remedy unemployment. Both of these intellectuals were British, and it is in Britain that their ideas were applied in their purest forms. Both of them, unlike Delors, were liberals who did not desire the monster state that they helped create. It has been part of the battle of the last ten years to rid Britain of their legacy. If the European Community is to prosper, it must discard the nostrums of that era. When Delors looks back with misty eyes to that mythical golden age, he shows once again that he is not suitable to lead Europe to 1992.

Imposition Is Not the Way

The countries of the European Community have developed over history as separate nations. They have each evolved their own individual customs and practices to suit their national needs and predispositions. As any American who has traveled on a Eurail ticket will testify, English behavior is distinct from French, as is German from Italian.

These nations also have developed along separate political traditions. English politics developed consistently with a social tradition of individualism, Italian politics must incorporate the diverse historical developments of different regions, and so on. Europe has never been a state. The political system of each European country is uniquely suited to the evolved necessities of that country.

Given this, a sovereign European government would be alien, it would create conflicts, and it would be unstable. It would be a government that has never been endowed with any

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authority by subject Europeans. And there is no record to recommend it. The danger is that it would assume all the worst faults of the old Brussels European Community administration. It would be distant, bureaucratic, interfering, and wasteful. But in the new version, it would be a superstate with much greater funds and powers.

Imposed uniformity will never succeed in Europe. Nations will cooperate and find points of common reference spontaneously, where they need to. One of the early costs of British membership in the Community was the imposition of currency decimalization—counting in tens. The aim of this was to achieve harmony in accounting units across the continent, not at all a bad idea. However, "imperial" money (pounds, shillings, and pence, with 240 pence to the pound) had endured in Britain for many centuries, people knew how to use it without a second thought, and it had a comfortable fit in the economy. When decimalization came, it had its costs. For a few weeks it threw Britain into turmoil. While the end result of comparability was useful, it would have been less disruptive to have let the British people adopt the new money where they needed it.

As part of 1992, Britain is going to be forced into using kilos and grams rather than pounds and ounces. Once again, this will throw the country into confusion for weeks; it is a needless and pedantic change because both imperial and metric weights have been displayed on goods since 1974. Of course, over the past 15 years very few people have taken any notice of metric weights, preferring to stick with what they have tried and tested.

The weights and measures that we use in Britain have lasted, refined by the testing of time. By contrast, metric weights originate in the rationalist tradition of France; they are the creation of designing minds. An interesting test of their alternative merits came when the French attempted a cardboard egg box that would hold ten eggs. This was all very rational and consistent no doubt, but the eggs fell out. The apparently irrational British box of six may be an unwieldy number for balance sheets, but at least it holds eggs. This may seem a trivial example, but it shows the clash of principles very clearly.

To take a more serious example, suppose the European Commission decreed that, for the sake of completing the pattern, everyone in the Community should drive on the right. In Britain this would create enormous costs. Steering wheels would have to be converted; British car manufacturers would have to alter their machinery; and drivers would have to relearn the habits of a lifetime. There undoubtedly would be a surge in the number of accidents.

For the most part, even after 1992, English people still will live in England, the French will live in France, Danes will live in Denmark. It is obviously sensible that the rules and customs of each country should be suited to the convenience of the people who live there.

Pursuing Uniformity

More serious still is the needless pursuit of uniformity in politics and economics. However imperfect, the democracies of Europe do reflect at least some of the requirements of the people who live under them. European government threatens to replace that with something more distant and less responsive. In the economies of Europe we have the chance to free ourselves from the stifling controls of the old Community. Each country and region should be left to develop naturally, to find specialties.

In another way, we should be grateful to Jacques Delors for waking up the rest of Europe to the wayward ideas which some of the architects of 1992 are entertaining. He is unlikely to succeed because he is a man after his time. Those leaders of Europe, like Prime Minister Thatcher, Premier Schluter in Denmark, and Prime Minister Silva in Portugal, who have used the market to solve local and national problems, will not want it suffocated from abroad.

The political constitution of the European Community is controversial among member nations. There is unlikely to be a workable consensus that involves anything but nominal rule from Brussels. For this we should be glad, and it gives grounds for being quite optimistic about the results of 1992. If it has the right ideas behind it, the European Community could be the best opportunity for free trade and economic liberalism in this century. □

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My Son and the Guatemalan Indians

by C. F. Fischer, III

Several years ago my youngest son, Ted, visited Honduras with a small group of Episcopalians from south Alabama and northwest Florida, to repair and paint mission and clinic buildings in the rural areas. He paid his own way, and with exception of his first and last nights there, all of his nights were spent in a sleeping bag.

It was quite an adventure and experience for a teenager—a blond, blue-eyed "gringo" if ever there was one—whom most would have considered quite privileged at home. It was also a time of considerable concern and suspense for his parents. (Is he sick? Is he safe? Can he get a doctor? Can he get to a phone?)

In 1987 he visited Guatemala with a similar group of six, including the bishop and his wife. The bishop soon became sick and returned home. This only added to our worries. (Was it the food or water? What if Ted became sick in a remote village? Who was the new leader?)

The group completed its mission and returned safely to the United States. All, that is, except my son. It seems that he had to do a little more exploring on his own, and: "Pray tell me, just when would it ever be cheaper and more convenient to do what one must do?" For the first time—the very moment I learned that he did not return with the group—I knew that he was much safer there than here.

Since then he has returned to Guatemala "solo" several times to explore volcanos and Indian ruins, visit the most remote villages, take Spanish courses, and just learn more about the country and its people in general.

Mr. Fischer is president of Hartford & Slocomb Railroad Company in Dothan, Alabama.

Soon he came to realize that he could visit Central American countries the rest of his life, giving of his time, energy, and what little money he could come up with. But, the results would be extremely temporary and barely noticeable at very best.

Recently, he concluded that a venture in free enterprise would likely produce the best, quickest, and most lasting benefit for the people of Central America—and most especially for the poor Indians in Guatemala.

Accordingly, he went to the most remote Indian villages and purchased samples of colorful woven cloth handcrafts, mainly bracelets and belts. These he brought back to Birmingham, Alabama, where he attends school. Every boutique, shop, and store in the major malls in Birmingham that saw the samples immediately placed orders. Soon other merchandisers in New York, Baltimore, Chicago, Los Angeles, and elsewhere saw or heard about these items, became interested, and began placing orders.

This was all the excuse my son needed to return to Guatemala personally to get more supplies and set up a dependable network for future orders. Although he had been assured by two U.S. Customs offices and the Caribbean Basin Initiative office that these products were exempt from customs under the Caribbean Basin Initiative, Houston Customs seemed unaware of this. The customs people in Houston could not figure out how to classify a few dozen woven cloth bracelets, so the goods were held.

After missing a couple of flights, and facing an early Monday class, my son had no choice but to leave his precious little cargo and get on the next flight out of Houston.

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"Welcome to the real world, son. Did you not know that you should engage the services of a customs broker? Oh, I know that a broker isn't required by law. But, I also know that a broker is required by the facts, conditions, and circumstances. Don't get one and you can wait for clearance until your merchandise rots.

"But, not to worry. On a few hundred dollars worth of bracelets (at origin) your brokerage fee probably won't exceed $200.

"Among other things, you see, your customs broker must prepare and file the 'Consumption Entry' form (probably $60 minimum), then post the 'Bond Fee' (probably $20 minimum), then the 'Immediate Delivery Permit' ($10 or more), 'Appraisement & Liquidation Service' ($5 or more), 'Estimated U.S. Customs Duty' (who knows?), 'Messenger Service' ($10 minimum), and so on, possibly including delivery orders, additional entry classifications, and the like.

"Like it or not you will have to engage the services of a broker. U.S. Customs will see to that!"

My son reacted simply and forthrightly. He acknowledged that the "system" is extremely boring, time-consuming, and frustrating. But, he was determined to proceed within it.

He has since contacted other U.S. Customs Offices. Fortunately, the number of different answers he received did not exceed the number of government offices contacted. With a little experience under his belt, he moved forward.

Meanwhile, we—this is my first official involvement—have contacted our Senator and Representative to see if they can determine if these imports are exempt or not. If not, what's the deal? If we're lucky we at least will have a clue soon.

Meanwhile, back at the Indian villages in Guatemala, the natives are weaving colorful bracelets of the most intricate designs which they are happy to sell to my son's group for four cents each. It is, to be sure, tedious, back-breaking work. There are no printed patterns or computer printouts. Designs come from the head, and execution comes from the fingers and toes. Typically an Indian sits on a rock, ties the structural yarn around his or her toe, and begins weaving the bracelet.

Four cents per bracelet seems like a pitifully low price. And in some respects that may be true. On the other hand, however, less than two months ago the same bracelets were being bought by a "city native" for only two cents each. And the "city native" also sold staples to the Indians at 20 times the going prices in Antigua or Guatemala City.

The Indians are very happy to get four cents per bracelet. That's twice as much as they received less than two months ago. More important, the men who pick up the bracelets deliver staples at cost. These workers likewise earn four cents per bracelet. They too are pleased to earn so much.

Thus the first large order—8,000 cloth bracelets—arrived by air. U.S. Customs in Birmingham yielded to U.S. Customs in Mobile, which in turn insisted upon a customs broker.

The customs broker's fee and charges equalled the cost of 3,375 bracelets, and the duty was equivalent to the price of 1,120 bracelets at the point of purchase. Broken down and stated somewhat differently, "Preparation and Filing of the Consumption Entry Form" cost 1,500 bracelets. "Postage"—buying, licking, and affixing one 25-cent stamp—cost 250 bracelets; "Messenger Service" cost 250 bracelets; "Bond Fee" cost 500 bracelets; and so on.

In the final analysis, 50 Indians work more than a week producing something you can see, touch, wear, and enjoy—and earn less than the broker's charges for shuffling government papers for an hour. Something is terribly wrong, and I don't feel that it is with the poor, hard-working Indians.

Fortunately—or unfortunately—my son has yet to learn about state and Federal unemployment taxes, Workers' Compensation, F.I.C.A., city license fees, state franchise taxes, state and Federal personal and corporate income taxes, sales and use taxes, wage and hour laws, and so on. He doesn't even yet realize that he must now retain a lawyer and an accountant to advise him about insurance, product liability, state laws and taxes, and fair employment practices.

But, he is working through the market to improve the lot of the Indians, while trying to better himself in the process. I admire and love him even more for his effort. □

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A REVIEWER'S NOTEBOOK

The Velvet Prison

by John Chamberlain

From Hungary, in a sometimes difficult prose text, there comes an enigmatic book about the fate of literature under totalitarian governments. It is called *The Velvet Prison: Artists Under State Socialism,* and is by Miklos Haraszti, a dissident who is introduced to us by a fellow dissident, George Konrad, and translated from the Hungarian by Katalin and Stephen Landesmann with the help of Steve Wasserman (New York: Basic Books, 165 pp., $14.95).

One calls the book enigmatic because Haraszti skips from sections in which he mocks himself to more serious passages in which he seems to be saying it is quite normal for an artist to work within the confines of any culture that is his national inheritance. The excuse has a sometimes unnecessarily forgiving tone.

Haraszti's thesis is that socialist writing comes in two forms, depending on the state of affairs pertaining to any given moment in a totalitarian society. If one is under a Stalin, Communist pictorial art will be poster work, and literature will follow a propagandist line. There will be strict censorship exercised from a central point. Under a Khrushchev or a Gorbachev, however, things might differ. In periods of relaxation, artists under socialism may be permitted a wide degree of self-censorship. The ones that seem to be good socialist citizens will be rewarded by ample funds and good working conditions—hence the term "velvet prison."

What Haraszti says may very well be true for Hungary. He doesn't talk much about specific Hungarian authors, so it is difficult to see where "soft aesthetics" may take over. In medieval times the architects of Chartres Cathedral would have endorsed everything Haraszti might have had to say about working in a culture. But in Soviet Russia the Haraszti thesis doesn't check out.

True enough, there was plenty of poster work under Stalin. But the writers who were permitted latitudes under Khrushchev did not ask for velvet prison cells. *Doctor Zhivago* and various books by Solzhenitsyn were uncompromising. Indeed, Solzhenitsyn's *Gulag Archipelago* still awaits a Soviet publication under the so-called relaxed Gorbachev.

The Haraszti book does not check with Max Eastman's excellent *Artists in Uniform,* written many years ago and unfortunately now out of print. Max dealt with Soviet writers both in the pre-Stalin period, when Lenin and Trotsky were permissive about art, and in the gloomy night when the totalitarian "inquisition" took over. In Leningrad, in the first days of Bolshevism, poets were permitted their lyricism. They could sing to the moon if they pleased. But the story of Yesenin, who married the American dancer, Isadora Duncan, is symptomatic. Yesenin had hoped to travel about Russia with Isadora, singing while she danced. But when Lenin and Trotsky ceased to have a direct influence on Yesenin, he took to reading texts he couldn't understand. Says Eastman, "It was the twofold misfortune of Yesenin's lyric nature to be born into an age of gigantic concentration upon a practical undertaking, and into a company of engineers whose blueprints took the form of metaphysical demonstrations that the universe itself, or man and all society and all history, is that undertaking."

In short, Yesenin was convinced there was

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no room for poets under either militant or a more relaxed socialism. "My poems," he wrote, "are no longer needed here." So his suicide followed.

In Eastman's story of what happened after Stalin grabbed the power and the printing presses, there were more suicides. Maiakovsky, after announcing his surrender to the politicians, offered a "thunderous manifesto of defeat" and shot himself. There was an epidemic of suicides of poets of lesser importance. An exception, Eugene Zamyatin, author of the beautiful novel *We,* did not make any great effort to keep himself from being framed. Panteleimon Romanov recanted his "mistake" of writing *Three Pairs of Silk Stockings,* which called attention to evils that had already been attacked by government. Isaac Babyel, author of *Horse Army and Odessa Stories,* refused to behave "like a recruiting sergeant" (he wouldn't write "ballyhoo" for the Red Army), and he shut up voluntarily. Boris Pilnyak, a great talent, rewrote a novel in order to get a visa to America. Says Eastman, "Probably no work of art in the world's history was ever completed in more direct violation of the artist's conscience, or with a more unadulterated motive of self-preservation than Pilnyak's *The Volga Falls to the Caspian Sea.*

In Hungary, apparently, there were fewer suicides in Stalinist times. Says Haraszti, "although the tradition of 'productive, revolutionary, and national themes' survived into the post-Stalin era, it was discovered that aesthetic regulation alone would do the trick." No such discovery was made in Russia when Khrushchev denounced Stalin. Solzhenitsyn welcomed the denunciation for what it did to get a few of his books into print, but he now lives in Vermont and refuses to change his style to conform to any "aesthetic regulation" that Gorbachev might want.

Where are the fairly decent works of art or literature that have emerged from Hungary under self-censorship? No doubt there are some. But Ben Shahn, the perceptive painter who wrote *The Shape of Content* (New York: Vintage Books) is dubious of the value of any system of conforming. "Nonconformity," he says, "is not only a desirable thing, it is a factual thing. One need only remark that all art is based upon nonconformity, has been bought either with the blood or with the reputation of nonconformists. Without nonconformity we would have had no Bill of Rights or Magna Carta, no public education system, no nation upon this continent, no science at all, no philosophy, and considerable fewer religions. All that is pretty obvious."

The good artist, says Shahn, has no really vested interest in the status quo. Hitler, a bad architect who wanted to kill expressionism, tried to establish a Nordic status quo, "a cloying art of *kirche, küche,* and *kinder* . . . [it was] stillborn and unremembered." German expressionism hasn't come back, but there will be other rebels.

In Hungary, according to *The Christian Science Monitor,* they are "taking a giant, if little-noticed leap toward letting capitalism out of the closet." If a nonconforming art is to go with this leap, Haraszti is the man to discover it. But he has been too concerned with maintaining his sardonic pose. □

WHEN GOVERNMENT GOES PRIVATE: SUCCESSFUL ALTERNATIVES TO PUBLIC SERVICES

by Randall Fitzgerald

Universe Books, 381 Park Avenue South, New York, NY 10016
1988 • 330 pages • $24.95 cloth

Reviewed by Robert W. McGee

By the time I got halfway through the introduction to this book, I wanted to send a copy to the mayor of the town where I live. Randall Fitzgerald documents literally hundreds of ways that local and national governments can cut costs without cutting services by turning over government functions to the private sector. Nearly every line contains useful information for anyone interested in learning ways to shrink the size of government. Fitzgerald shows that there is a third alternative to either cutting back on services or raising taxes—privatize.

The "bottom line" of this book is that the private sector can do just about anything better and cheaper than government. The reason? In-

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centives, which are unleashed by breaking the government monopoly and opening up the service in question to the competitive forces of the marketplace. A secondary theme of the book is that privatization is an idea whose time has come. Numerous municipalities are turning to privatization to reduce costs and provide better service. Some cities have been able to completely eliminate property taxes by privatizing everything. More than 50 countries have also been bitten by the privatization bug and have started turning over functions previously provided by government to the private sector.

Privatization has many faces—at least 22 have been documented so far. Government can sell or give away state-owned enterprises, as Britain has been doing. Services can be contracted out to one or more private companies. Enterprises can be turned over to employees and allowed to sink or swim. State monopolies can be repealed, thus opening up the way to competition. User fees can replace taxes. Numerous methods have been tried and they all result in reduced cost and/or better service. Here are some examples:

When Central Park's Wollman Skating Rink was closed in 1980, New York City officials estimated it would take two years and cost $4.9 million to repair. Six years and nearly $13 million later they estimated it would take another $3 million and two years to complete the renovation. Businessman Donald Trump made a deal with City Hall and did the job in 3½ months for slightly over $2 million. Trump was able to circumvent New York State's Wicks Law, which requires the use of separate contractors for construction, plumbing, electrical, and ventilation work. Mayor Koch was so shocked at the result that he ordered a study to determine how Trump could beat City Hall so badly.

North of Boston, a privately owned and operated incinerator turns garbage into energy for 20 towns having a combined population of over a half million. The towns now pay only $22 per ton to have their garbage taken away, compared to $100 a ton that is charged by the government-operated landfill.

A study prepared for the U.S. Department of Housing and Urban Development examined eight municipal services, comparing the cost of having government provide the service to the cost of having the service contracted out. It found that asphalt paving cost 95 percent more when done by municipal workers, janitorial services cost 73 percent more, and 5 of the other services cost at least 37 percent more when performed by government workers. Payroll preparation costs were about the same regardless of who performed the service. The study also showed that the savings were not due to lower wage rates in the private sector—the private sector employees earned an average of $106 a month more than the government workers. Savings were made possible because of the inherently more efficient structure of private, competitive enterprise.

Prisons are also being privatized. A prison in Florida was turned over to a private company when the company offered to provide the service for $24 a day per prisoner, compared to the $37 a day offered by the sheriff. Shortly after taking over, the private company raised guards' salaries from $8,100 to $13,500. California contracts out to the private sector for more than a dozen detention facilities. Prisoners who were temporarily housed in a private Pennsylvania jail did not want to return to the state-owned facility they came from because the conditions at the privately run prison were much more humane.

Even streets are being privatized. At least 1,000 streets in St. Louis and adjoining areas have been privatized. The result has been skyrocketing property values, as deteriorating neighborhoods reversed the trend toward decay. Neighborhoods became stabilized and safer, and community pride increased. Houston sold some of its streets to homeowners to raise money and experienced similar results.

There seems to be almost no limit to what can be privatized. The U.S. military could save billions by contracting out numerous functions now performed by military personnel such as lawn-mowing, cooking, and selling groceries. Selling the post office and privatizing social security could save taxpayers and consumers billions more. Selling off surplus government assets would enable the federal government to make the social security system solvent and could provide enough funds to wipe out the deficit, were it not for the fact that Congress sets up

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road blocks to prevent such sales from happening.

If you have time to read only one book on privatization, this book would be a good choice. It summarizes what has been happening in the privatization revolution and cites numerous books and articles that can be referred to for further investigation. The index is also quite thorough. □

(Professor McGee holds a law degree and teaches accounting at Seton Hall University.)

SEARCHING FOR SAFETY

by Aaron Wildavsky

Transaction Books, Rutgers University, New Brunswick, New Jersey 08903 • 1988 • 253 pages • $32.95 cloth; $16.95 paperback

Reviewed by John Semmens

What is safe? While the purveyors of government safety regulations think they know, the odds are they are wrong. Since all action is designed to deal with the future, and the future is unknown, all action is inherently speculative. Though the advocates of statutory and regulatory approaches to coping with the hazards of an uncertain future believe they are ensuring safety, the reality is that the only thing likely to be ensured is stagnation.

This book is premised on the idea that safety is not a known, utopian condition, but rather a changing relative improvement over a previous more precarious condition. The question of how better to achieve safety is aptly posed by the so-called "jogger's dilemma." The dilemma consists of confronting two interrelated facts about the effects of jogging on a person's health. In general, over the long run, exercise tends to improve physical health and increase longevity. However, the process of strenuous exercise places the body under stress. One's chances of dying due to stress are, thus, greater during an hour of exercise than an hour of repose.

Should one incur the short-run risk of jogging with its attendant stress in order to obtain the long-run benefit of better health? The most intelligent response to such a question is that it depends. Not every individual faces the same risk-reward ratio. Not every circumstance is well suited to the contemplated exercise (as I write this, it is 110 degrees outside). The variety of contingencies that can affect the decision to take or avoid the short-run risk argue in favor of a flexible, decentralized process for decision-making.

Safety regulation and legislation, though, are the opposite of flexible and decentralized. Government-imposed rules must be stable and standardized. "Flexibility" in the hands of government can too easily degenerate into arbitrary abuse of authority. No matter how hard government tries to decentralize, it will always fall short of matching its rules to the unique circumstances of each individual. Only freedom and the marketplace hold forth the prospect for adequately coping with the changing needs of unique individuals.

The current politicization of safety, by inflicting the force of government on more and more areas of our lives, threatens the safety it purports to be protecting. Banning or severely restricting "dangerous" research and experiments may prevent the improbable disasters the regulators fear. Unfortunately, progress may also be obstructed. Insisting that expensive safety equipment be mandated to guard against the tiniest hazards has a retarding effect on economic growth. Safety demagogues are quick to assert their superior virtue for placing the saving of even one life ahead of economics.

Professor Wildavsky effectively refutes this fallacy by pointing out that economic growth also saves lives. The improved living conditions made possible by economic growth actually contribute to longer, healthier lives. By way of illustration, he offers an interesting statistic: for a 45-year-old working man, a 15 percent increase in take-home pay has the same statistical impact on his longevity as would the elimination of all workplace hazards. Thus, even if government programs to remove work hazards actually eliminated all risk, it is likely that the net result in most instances still would be negative. Sacrificing economic growth in pursuit of expensive safety rules, therefore, may well cost more lives than are saved.

The progress that has yielded our current,

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relatively safe mode of living involved the intentional taking of risks. Daring to venture into the unknown is an unavoidable step in developing new and better ways of living. Purposefully accepting risk is a necessary part of attaining greater safety in the long run.

The interconnectedness of risk and safety invalidates the simplistic strategy of outlawing hazards. If we are to improve rather than atrophy we must move ahead by taking chances. The discovery of safer ways of doing things can be conducted most expeditiously by individuals free to act and to bear responsibility for the consequences. The social mechanism most adept at facilitating the process of rational risk-taking is freedom.

Professor Wildavsky's book is not always easy reading, but it is full of sound logic and useful illustrations. It will be especially helpful for those free market partisans who, for want of a firm scientific foundation, have conceded safety regulation to government. Not only can we rely upon the market to take care of safety, but if we value life and limb we will insist upon a market approach. □

(John Semmens is an economist with the Laissez Faire Institute, a free-market research organization headquartered in Tempe, Arizona.)

THE ART OF REASONING
by David Kelley

W. W. Norton & Company, 500 Fifth Avenue, New York, NY 10110 • 1988 • 412 pages • $19.95 cloth

Reviewed by David M. Brown

David Kelley's new logic text, *The Art of Reasoning*, is "must" reading for those dedicated to advancing liberty.

Of course, logic supports freedom over statism no matter what text one relies on. But Kelley seems to understand the relationship between first principles and final policy conclusions somewhat better than many other philosophy professors. His exposition thus tends to be more informative than the usual textbook treatment, even while avoiding technical issues not really relevant to the needs of the typical student. (There's nothing in here about truth tables, for instance, or about exactly how statisticians calculate probability variances.)

This is not to imply that the book, with one of its more gratifying exercises pitting F. A. Hayek against J. K. Galbraith, was written with a primarily political purpose in mind. As the author comments, "The value of these logical skills is not limited to political arguments. . . . In a philosophy class, the issue might be free will versus determinism; in literature, it might be different interpretations of *Hamlet*. Discussing these ideas means presenting reasons for or against them. . . . In our own personal lives, finally, we all have choices to make, major ones or minor, and here too we need to weigh the reasons on each side and to consider all the relevant issues."

The reader who studies this text and absorbs its lessons will be admirably equipped. Kelley begins by sketching the nature of concepts, the building blocks of premises. Then he takes on many of the usual topics, including the nature of propositions and syllogisms, inductive reasoning, etc. His chapter on dissecting and diagramming arguments is particularly interesting and helpful. Here the reader learns to detect implicit, unspoken premises, and to analyze the criss-crossing arguments and counter-arguments of debates.

Chapters are interspersed with practice quizzes for which answers reside in the back of the book. For more detailed exercises there are no answers to turn to; the student gets practice in thinking entirely on his own. That's fine, especially since the meaty sample arguments are drawn from a wide variety of intriguing contemporary and classical sources. Logic, it turns out, can be fun as well as relevant. □

(Mr. Brown is a free-lance writer in Trenton, New Jersey.)

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—**Leonard E. Read**

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